

A group's acquisition of a family business

- Changes in the Management Control Systems at an operative level

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Supervisor:
Joakim Wahlberg

Authors:

Sofia Lundgrer
Nathalie Andrér

ELIXIA



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

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Nathalie André

Sofia Lundgren

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Abstract

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Title: A group's acquisition of a family business - Changes in the Management Control Systems at an operative level

Authors: Nathalie Andrén & Sofia Lundgren

Supervisor: Joakim Wahlberg

Background and problem: Changes in the ownership structure and growth are two examples of variables that can change the management control systems. There are literatures that carefully describe how the controlling elements change when growing internally. These literatures combined with acquisition theories have been used to discuss the changes in the management control systems in this case study. Most of earlier researches have been done on the top-level management.

Purpose: The purpose of this thesis is to see how the management control systems change at an operative level when a family business transforms into a unit of a big group through an acquisition.

Methodology: This research is a qualitative case study on a gym facility in Askim, Gothenburg. The theoretical framework is based on theories from experts within the concerned field. Most of the empirical data have been collected by in-depth interviews with employees and customers.

Discussion and Conclusion: The family business was mainly controlled by corporate culture with shared values. After the acquisition this informal control changed to formal control with formalized routines and strict budgets. The facility went from using interactive to diagnostic control where goals got explicit and individual goals connected with rewards got introduced. After the acquisition the employees and managers did not feel supervised anymore and were able to work more independently.

Further research: It could be interesting to do further research on a big company with a more controlling top-management. Studies about rewards systems combined with acquisition would also probably contribute to the research.

Keywords: Management control systems, Ownership structure, Acquisition, Growth.

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1. Introduction

The first chapter will introduce the reader to the background of the research area, and give the problem discussion, purpose, research question and limitations of this thesis.

1.1 Background

Management control systems are by Simons (1994) defined as “*the formal and information-based routines and procedures used by managers to maintain or alter patterns in organizational activities*” (Simons, 1994, p. 170). The management control systems are used in an organization to keep desirable patterns and to organize activities. It is up to the management team to adapt their intended strategies as well as evaluate the outcomes.

The management control systems have to fit the competitive strategy, and the importance of the control systems fit is called contingency logic, and it will influence the organizational effectiveness. According to Merchant and Van der Stede (2012) the strategies purpose is to help the organization to focus on what they do best, and to determine the situational factors that the organization has to take into consideration while creating an effective control system. The situational factors are factors that either affects the costs or the effectiveness of the management control. One contingency variable or situational factor that must be taken into consideration is the organizational structure (Merchant & Van der Stede, 2012).

Jordão, Souza and Avelar (2013) explain that the changes in the owner structure alter the company in multiple ways, and therefore it involves various domains to analyze. These changes usually emerge from mergers and acquisitions that are getting more common and involve billions of Euros every year. After a merger or acquisition, the involved companies face several challenges before becoming an effective business. One of the most important ingredients to lead a company to success is using control systems to reach the managers’ and stakeholders’ objectives (Jordão et al., 2013).

According to Davila, Foster and Jia (2010) small and large businesses use management control systems differently. Larger businesses have more operations, involving more employees, and to be able to manage this after growth, changes in the control systems are required. To study the transition several case studies have been done on different companies (Davila et al., 2010). Davila (2005) highlighted the importance over understanding the emerging variables of management control systems, to be able to prepare for the change.

1.2 Problem discussion

It is stated that the management control systems should be formed as a package where the systems should be linked together. There is limited research about how the contingency factors affect the form and structure of the package (Malmi & Brown, 2008). Broader perspectives of the emergence of management control systems are needed. Perspectives that use new contingency variables to see how management control systems “react” (Davila, 2005).

Davila, Foster and Li (2009) identified reasons for adoption of management control systems, which were brought out from case studies in specific industries and operations. This thesis aims to investigate if these reasons are consistent in other industries and in other business operations. This thesis will use earlier research about the emergence of management control systems and try these results in another context to see what kind of management control systems a specific company will adopt (Davila & Foster, 2007).

The research about what happens with the management control systems after an acquisition is still limited. Jordão et al. (2013) suggested that more studies should be done in different contexts with different contingency variables to provide more reliable knowledge in the area. This thesis will attempt to contribute to the research by trying to generalize the existing theories, by testing them in another coherency.

The literature carefully describes how the controlling elements change when growing internally. These theories will be used and discuss to see whether the changes are the same when a family business is acquired by a group. The changes that earlier have been observed is primarily changes experienced in the top-level management. The changes that will be observed in this thesis are therefore changes at the operative level: the experience from personnel, customers and operative managers. As demanded above the focus will be on what kind of the management control systems that will be changed or adopted.

1.3 Purpose

The purpose of this thesis is to see how the management control systems change at an operative level when a family business transforms into being a unit of a big group through an acquisition. Focus will be on defining what kind of management control systems that will be adopted or changed after this kind of acquisition.

1.4 Research question

- How do the management control systems change at an operative level when a family owned company transform into being a unit of a big group through an acquisition?

1.5 Thesis limitations

There are multiple components in the management control systems that will change when the owner structure change. How the management control systems will be affected differ in different context, and this empirical study will focus on the service sector within the fitness and health industry. This thesis will analyze what happens when a firm goes from being a family business into being a part of a big group. The research will differ from other earlier researches since it will be done at an operative level. Family businesses' management is often individual and dissimilar, and therefore the outcome of this study will differ from the outcomes of other studies. A case study research will be made on Elixia's gym facility in Askim in the suburbia of Gothenburg, Sweden.

1.6 Disposition

This thesis will be divided into six different chapters. At first the methodology will be presented, followed by the theoretical framework used to make analysis and conclusions. After that the reader will be introduced to the empirical data obeyed by a discussion, conclusion and a reference list. Additionally there are three appendixes attached including complementary information of this thesis.

2. Methodology

This section will explain and motivate the methodology of this thesis. It includes a description of collection the theoretical framework as well as the empirical data. The methodology will give the reader an understanding of the choices that have been made during the research process.

2.1 Research approach: Case study

Patel and Davidson (1994) claim that a research paper can be written deductively or in-deductively. A deductive research is when existing theories are being collected and later put together with real world situations, and the theories decide what empirical data that should be collected. In an in-deductively research the empirical data is collected first and later combined with a suitable theoretical framework (Patel & Davidson, 1994). Blumberg, Cooper and Schindler (2011) meant there is a distinction between a qualitative and a quantitative problem. A quantitative problem can usually be measured while a qualitative problem looks deeper into a situation and is more descriptive (Bryman, Bell & Nilsson, 2005). To be able to answer the research question, this paper will be a qualitative, deductive case study at an operative level of one single company unit. According to Bryman et al. (2005) it is easier to get a deeper understanding of the organization's situation when undertaking a qualitative case study. Backman (1998) suggests that a case study is valuable when a complex situation in a business needs to be observed and explained.

According to Yin (2009) three conditions need to be fulfilled to be able to do a case study. First, the research question should be based on "how" or "why". Secondly, the investigators should not have any control over the situations or the events and should be able to observe these objectively. Thirdly, the investigated situations should be based on real-life event. Since our research question fulfills these criteria, this thesis will be a case study at an operative level at the gym facility in Askim, outside Gothenburg in Sweden. The thesis will have a descriptive approach to be able to explain the outcomes of the changes in the owner structure. The sub-unit in Askim has been chosen as a case study to observe how the ownership structure change, has an affect on the management control systems at an operative level.

2.1.1 Pre-study

Initially a pre-study was done to get a better understanding of how the organization works. Interviews were held with Ann-Louise Ahlin and Kattis Liljegren, current operating and vice-operating manager at the gym facility in Askim. The reliability in this thesis was strengthened

by the information received from this interview. This pre-study could test the theoretical framework to be able adjust it (Rozet, Hubert & Ceccato, 2007). The authors saw that the literatures that were chosen before the interviews would be difficult to apply, and the base of the theoretical framework were changed to a more appropriate one. The pre-study also made the authors realize that culture was an important control element in the organization. Therefore the theoretical framework was extended with literature concerning culture.

2.1.2 Selection of case company

Selecting Elixia for the case study is based on the changes in ownership structure the company has experienced. Choosing the sub-unit in Askim made it possible to observe the changes in the management control systems at an operative level. The authors of this thesis have earlier been using Elixia's services, and are acquaint with people that got affected of the change, therefore this specific case was chosen also for personal reasons.

More over Elixia's background is found in chapter 4.1.

2.2 Collection of data

This chapter will explain how the authors collected the data to the thesis.

2.2.1 Theoretical framework

To find a relevant theoretical framework for this thesis the databases *Business Resource Premier* and *Google Scholar* were used. Searches were made on the key words of this thesis in different combinations. The used key words were: *Management control systems, growth, acquisitions* and *owner structure*.

With advices from the supervisor of this thesis, the experts within concerned field were found. Simons, Malmi and Brown and Davila and Foster created most theories that are used in this thesis. The theoretical framework is also based on Jordão, Souza and Avelar's researches about acquisitions.

2.2.2 Empirical data: interviews

The primary data of this thesis has been collected from in-depth interviews, as suggested by Yin (2009) and Merriam (1998). Qu and Dumay (2011) also claims that the most essential way of collecting data for a qualitative data is by doing structured deep interviews. Interviews have been held with employees at different hieratical levels within the organization to get a wider perspective, as Eisenhardt and Graebner (2007) prefer. Interviews have also been held with loyal customers that have been customers for several years and experienced the transformations due to the changes in the owner structure. The interviews were semi-

structured, and before the interviews questions based on management control literature were prepared. The questions were not strictly followed but used as guidance to get all the accurate information (Merriam, 1988).

As suggested by Qu and Dumay (2011) the interviews were made face-to-face and both authors were present at all occasions. This gave us a chance to get relaxed conversations and at the same time observe facial expression and body language. The interviews with the different managers were approximately 60 minutes and held at Elixia's gym facility in Askim to get a chance to observe the environment and culture within the organization. Only one interview were held with the managers and the data collected was used both for the pre-study and for the chapter "*Empirical data*". The interviews with the customers and the employees at a lower level were held after the interviews with managers. Information from these interviews was used as a complement to the information from managers and the owner. Therefore these interviews were shorter, from 15 to 30 minutes, since most of the information already was collected. In spite the fact that this thesis is written in English the conversations and questions were made in Swedish to create a more comfortable environment for the person being interviewed, as suggested by Yin (2009). This may have lead to compromises in quality due to translation but it gave more information since the interviewed could talk more relaxed and give more details without being limited because of the language. The interviews were recorded and notes were taken as recommended by Merriam (1998). After the interview occasions the recordings were transcribed and summarized.

Interviews have been held with:

- Ann-Lousie Ahlin; Operative manager at the facility. Worked as an operative manager at the facility since 2004.
- Kattis Liljegren; Vice-operative manager in Askim. Worked for the facility since 2004.
- Åsa Grünerberger; Owner and founder of former Gymnasium. Does not work for the company anymore but have good insight since her husband still works there and since she visits the gym several times a week.
- Employee; Receptionist at the facility since 2008.
- Employee; Personal trainer at the facility since 2009.
- Two customers; who have been training at the gym since 2004.

2.2.3 Empirical data: Secondary data

According to Yin (2009) complementary data to interviews need to be collected to get an objective view. To complement the information from the qualitative interviews and get information regarding the company's financial situation, annual reports from the start-up in 2004 until 2013 have been studied. Secondary data have also been collected from the companies website, newspapers articles and press releases.

2.3 Quality of this thesis

2.3.1 Delimitations

To get the best theoretical framework, limitations have been made and focus will be on variables relevant for this thesis, as suggested by Merriam (1994). For example; when only two out of four variables from a theory, turned out to be relevant for this research, only these two are described in the theoretical framework. Parts of earlier researches have then been ignored since they would not contribute to the thesis' analysis or conclusion.

The Elixia group has merged with SATS during the year 2013, and together they have created the largest fitness and health business in the Nordic countries (personal communication, April 11th 2014). Focus in this thesis will be on the acquisition of Gymnasium by Elixia and not Elixia's merge with SATS. The merger with SATS is relatively new and the changes in management control system are not yet noticeable according to Mrs. Ahlin.

2.3.2 Reliabilities and weaknesses

According to Yin (2009) one of the main weaknesses of doing a case study is that it could give a subjective view, which could be hard to generalize. Bryman and Bell (2005) claimed that focus should not be on the lack of generalization but how the empirical data strengthen already existing theories. In this thesis all interviews that were held were with employees that still work for the organization and customers that still are members. This could lead to a more positive view and that the information is not completely objective. The results of a case study could be related to other similar organizations but should not be generalized in larger context (Yin, 2009). This research is based on the interviewee's perspective and their opinions therefore the result could be different if we interviewed others. It is hard to do a case study built on peoples' opinions and to later on receive the same result in a different case (Merriam, 1994). The reader should have in mind that the acquisition happened five years ago and the empirical data from interviews are based on memories, this could affect the reliability.

3. Theoretical framework

This chapter will explain the theoretical framework of this thesis. To introduce the reader to the research area, management control systems will first be defined. This followed by the sections growth and the design and the use of management control systems. Finally this thesis framework and its' limitations will be presented.

3.1 Management control systems

Malmi and Brown (2008) mean that defining management control systems is fundamental to make a research usable, since the definitions are many and can vary. In this thesis the management control systems will be viewed as a controlling tool to deal with employees' behavior. Management control systems should be used to make the employees act in a way that is best for the organization and to minimize undesirable behavior (Merchant & Van der Stede, 2007).

According to Davila (2005) different variables, for example the company's age and size, explain the emergence of management control systems. The age of the company can be connected with the chances of survival, older firms usually survive easier than younger ones, because from age comes experience and experience comes from learning. Management control systems can simplify learning by codifying routines and by taking away management attention from employees' tasks. The size of a business reflects the complexity of communication within the organization, and in a growing business the complexity increases as well as the amount of control. In growing businesses, using control systems are crucial to control the organization culture, and to evaluate and reward employees. When the number of employees increases it is impossible and very expensive for managers to have a personal contact with everyone and formal control needs to be implemented (Davila 2005).

According to Malmi and Brown (2008) it is possible to divide the management control systems into two categories; informal and formal control. The formal control concerns operations, productivity, corporate results, revenues and quality, whereas the informal control is about fostering employees to be a part of the desired culture. The formal control aims to generate high level of outputs and to control the processes and the informal control aims to create professional and cultural control.

3.2 Growth

This section will explain the effect on the management control systems when growing internally and when growing through an acquisition.

3.2.1 Growing internally

According to Davila, Foster and Jia (2010) the founder in a small company is able to control the operations and be involved in all the decisions. The founder works very close to the operations and can easily reinforce the personnel with the corporate strategy, mission and goals. Management control systems usually get associated with bureaucracy, which it said to kill the entrepreneurial spirit. The bureaucracy is creating business processes without value, which unfortunately leads to waste of resources. Companies in a start-up phase should therefore not implement these tight control systems (Davila et al., 2010).

Too many or too tight control systems will lead to bureaucracy and no systems will lead to chaos. It is unusual to develop more systems than needed since the development requires resources, which means that managers tend to minimize the bureaucracy while ignoring the risk of chaos (Davila et al., 2010).

Growth requires more formal systems and processes that can provide the managers with timely and accurate information to reach efficiency. The manager has to understand the control systems to make them useful, where experience is a useful element (Davila et al., 2010). In a smaller company everyone is well informed about the main goals and strategies, but in a bigger business it is harder to communicate the whole business strategy to every employee, and the management has to make an extra effort. The phenomena, when a business is growing and face this challenges concerning the adoption of management control systems is called *entrepreneurial crisis* (Davila et al., 2010).

3.2.2 Growing through acquisition

Jordão, Souza and Avelar (2013) aimed that the key element to reach managerial efficiency in the early stages after an acquisition is specialized post-acquisition management. The management control systems should build a company's success through employee engagement in the managerial process by setting both individual and organizational goals. When reaching the objectives the company will gain a competitive position in the market.

After an acquisition the management control system can be seen as coordination, integration and monitoring mechanism. The acquiring companies challenge is rather to produce new management control systems, than to implement their old ones in the acquired company. But

overall, the acquired company has to adapt to the acquiring company's objectives and strategy. The conclusion will therefore be that the changes in the acquired company will be deep and comprehensive while it will be barely no change at all in the acquiring company (Jordão et al., 2013).

3.3 The design and the use of management control systems

This section includes theories about the design and use of management control systems.

3.3.1 The design of management control systems

The design of management control systems can be done differently depending on the usage. Davila, Foster and Jia (2010) claim that it is more efficient to use management tools, as the company grows bigger. While the business is growing it requires a discipline associated with formal systems and processes. Davila et al. (2010) write that it is important to understand that management control systems will not lead to growth but that it is one factor of the company's future growth and success.

Davila et al. (2010) divided management control systems into eight different categories and connected these with concrete management control tools. The eight different categories are as follows: Financial planning, financial evaluation, human resource planning, human resource evaluation, strategic planning, product development management, sales/marketing management, and partnership management. A table that shows the categories and the tools can be found in Appendix I.

3.3.1.1 Reasons for adopting management control systems

Davila et al. (2010) aims that there are two proactive, two reactive, and two external reasons for adopting management control systems, and they are as follows:

Proactive

Manager background: Managers with large experience in start-up companies want to implement it.

Need to Focus: Managers realize they need the tools to facilitate growth.

Reactive

Chaos: Managers realized that they have to adopt the systems when something goes wrong.

Learning: To codify good routines, that have been created informally. Comes from learning by doing.

External

Legitimize: To reach credibility and seem reliable.

Contracting: Adapting because of requirements from stakeholders.

3.3.1.2 The role of management control systems

Davila et al. (2010) means that it is possible to divide the control systems into four different "roles", depending on how the organization use them.

1. Making goals explicit and stable: Creates a shared view of the future within the company.
2. Help with coordination and plan the sequence of steps: To reach coordination within a company through planned actions to receive the goals.
3. Facilitate decision-making and resource allocation: Helping the managers to the right decision by timely and accurate information.
4. Promote accountability and facilitate control: Save managers time since they do not have to monitor all the actions.

3.3.1.3 Cultural control

Culture is a set of values, beliefs and social norms, which tend to be shared within the organization, and in turn, influence the thoughts and actions of organizations' members (Flamholtz, Das and Tsui, 1985). Malmi and Brown (2008) aimed that the culture can be seemed as a control tool when it is used to regulate behavior, and they divided the culture into three types of control; value-based control, symbol-based control, and clan-control. The value-based control is supposed to make the employees align with the values and the direction of the company. Malmi and Brown (2008) mentioned that the value-based control could be utilized for three different devotions. When recruiting to find a person whose values match with the firms' values, to change employees' values, and to set values to force the employees to adopt them at work, even if they are not aligned with them personally. Symbol-based control includes visible expressions for examples dress code and workspace, and clan-control is the type of control that individual groups create when they established their own values and beliefs (Malmi & Brown, 2008).

Jordão, Souza and Avelar (2013) mentioned that the organizational culture has a certain effect on the management control systems after an acquisition. Usually the acquire has a financial result oriented culture that the acquiring company has to adapt to. This will result in changes in the production and in the quality of financial results. Aligning the individual expectation

with the managerial goals is an important process for the company to reach its desired result (Jordão et al., 2013). This requires an appropriate corporate culture, which is a critical factor to reach success after an acquisition. The CEO's ability to integrating the organizational cultures will affect the company's performance almost as much as the strategic and financial issues of the transaction. The integration is depending on how the acquiring company manages the process, how involved the employees are, and to what extent they use the social control as a complement to other management control systems (Larsson & Lubatkin, 2001).

Jordão et al. (2013) wrote about three ways of cultural integration:

1. Cultural assimilation: The acquiring company's culture is dominant and requires changes in the acquired company.
2. Cultural Blending: Both cultures co-exist.
3. Cultural Plurality: Company has two cultures, and no changes in the acquired company are required.

3.3.2 The use of management control systems

Management control systems is by Simons (1994) defined as "*the formal and information-based routines and procedures used by managers to maintain or alter patterns in organizational activities*" (Simons, 1994, p. 170). Simons (1994) uses a narrower view of the management control systems, only including the formal based systems. Simons (1994) divides the *use* of formal information-based systems into two categories; diagnostic and interactive control. The management control systems are categorized depending on top managers relationship to the strategy as well as how the control systems are used. The management control systems are used in the organization to keep desirable patterns and to organize activities. It is up to the management team to adapt their intended strategies as well as to evaluate the outcomes.

3.3.2.1 Diagnostic control

The main reason for using diagnostic control is to remove the constant supervision from the top management. Using diagnostic control means that top managers create formal feedback systems to observe the outcome, derivations and variance from the organizations set targets and standards. These systems are realized through formal business plans and budgets that all the employees are informed about, and the top management can thereby get an insight of what

occurs on the operative level. The design of the management control systems is influenced by critical performance variables (Simons, 1994).

3.3.2.2 Interactive control

Interactive control systems are formal systems implemented by the management team to get the top management involved in all levels within the organization. Through these systems the managers can get engaged in all the decision activities of their employees. The focus in these systems lies in attention, constant dialogues and learning, which can project strategic uncertainties. Therefore it is a difference between the chosen strategy and the strategy that is adopted after the adjustment for unpredictable events (Simons, 1994).

3.4 This thesis framework

Davila and Foster's theories about growth are fusion with Jordão, Souza and Avelar's theories about acquisitions to get the final scientific base of this thesis. The growth theories by Davila and Foster are extensions of Simons' theories about diagnostic and interactive control. The pre-study stated that one of the dominating elements of the management control systems in this research is cultural control. Simons does not include any cultural control in his theories, and those variables are essential to explain the circumstances at the unit. To fulfill this thesis framework other researches are therefore used as a complement to Simon's package of management control systems. Research from Malmi and Brown has been added to explain the basic elements of cultural control. Further theories about the changes in cultural control after acquisitions are taken from Jordão, Souza and Avelar, which are extensions of theories from Larsson and Lubatkin.

3.5 Limitations of the theoretical framework

This thesis will be limited to a single case study and hence the outcome cannot be generalized. Some variables that earlier have been studied in other reports will here be excluded from the reference frame because of their irrelevance in this case and because of the short amount of time. That implies that theories will not be fully represented, and parts that do not directly contribute to solve the research question will be left out. The thesis will explain the changes at an operative level and exclude the experience at a top manager level, which make the research a research of a narrower kind.

4. Empirical data

This chapter will give the reader an overview of the facility's organization and management control systems during Gymnasium and Elixia. The first section will explain the background and development of the organization. The remaining sections will divide the data into four different categories that can be seen as important elements of the management control systems.

When mentioning Gymnasium and Elixia in this chapter the authors refer to the facility in Askim before (Gymnasium) and after (Elixia) the acquisition.

4.1 Background

To give the reader an understanding of the organization this section will explain the development of Gymnasium and the acquisition. Figures that demonstrate the organization structures will also be presented.

4.1.1 The development of Gymnasium

In the beginning of the 21st century the family of Mr. and Mrs. Grünerberger had a vision of opening a high quality gym where their customers would love to spend time and feel like home. With years of experience and contacts within the fitness and health industry they saw the opportunity. They opened their first gym in 2004 in Askim, outside Gothenburg in Sweden, called Gymnasium. In 2007 they expanded their business and opened their second facility, this time in Torslanda. The company grew quickly and became well known in Gothenburg (personnel communication, April 16th 2014).

The following two diagrams will give the reader an understanding of the organizational size:

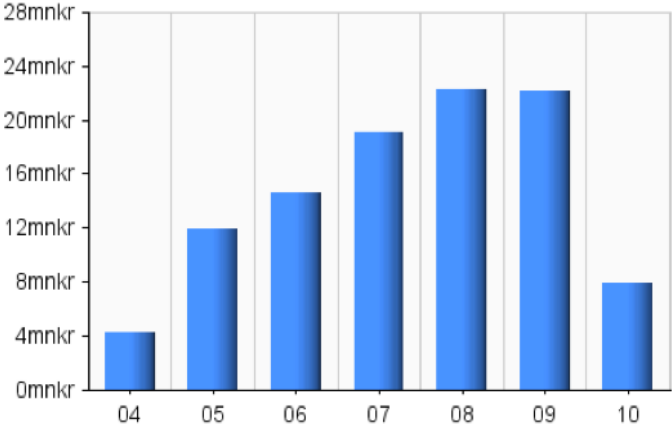


Figure 1: The diagram shows the turnover in Gymnasium from the start-up in 2004 to 2010, the year of the acquisition. The horizontal axis includes years and the vertical axis includes the turnover in millions SEK.

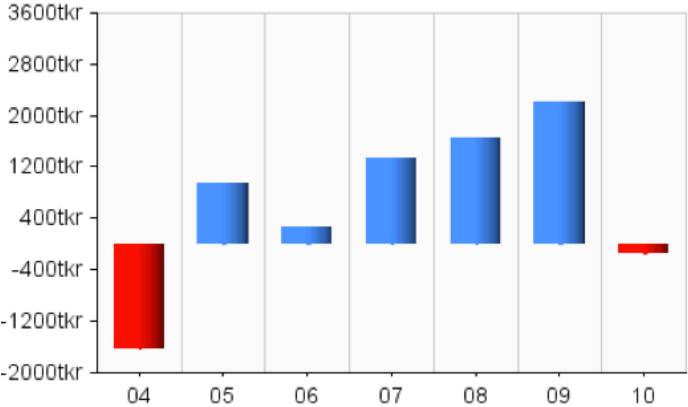


Figure 2: The diagram shows the net income in Gymnasium from the start-up in 2004 to 2010, the year of the acquisition. The horizontal axis includes years and the vertical axis includes the net income in thousands SEK.

4.1.2 The acquisition of Gymnasium

In 2010 Gymnasium was acquired by Elixia Holding AS, which is Norway’s largest group of companies within the fitness and gym industry. Mr. and Mrs. Grünerberger wanted to sell their company to someone that could keep running what they had built up, and according to Mrs. Grünerberger Elixia was the only organization that would manage that. Elixia offer their customers the best work out experience by high quality fitness centers, which includes

modern facilities, talented employees and a broad supply of different workout forms (personnel communication, April 16th 2014).

Elixia entered the Swedish market by acquiring the two facilities of Gymnasium, and they renamed them Elixia. The Elixia group has continued to grow by acquiring gym facilities in different parts of Sweden. Today Elixia has five centers in Sweden, 43 in Norway and 15 in Finland and a turnover of 1.1 billions NOK (Elixia, 2014). In the summer of 2013 Elixia merged their business with SATS and Fresh Fitness, two other large fitness and health companies. The purpose of the merger was to strengthen their market leadership on the Nordic market. The new company is called Health & Fitness Nordic AB, but the Brands Elixia and SATS are still retained (Elixia, 2014).

4.1.3 Organization structure of Gymnasium

The top management in Gymnasium included one head operative manager, and the owners Mr. and Mrs. Grünerberger. Each facility also had one operative manager, one financial manager, one reception manager, one group exercise manager and one gym- and personal training manager (personal communication, April 16th 2014).



Figure 3: *The organization structure of Gymnasium.*

4.1.4 Organization structure of Elixia

The head-office of Elixia is located in Oslo, Norway, and includes the financial and marketing department. The organization does not have a country manager; instead they have a vision of letting the facilities work entrepreneurial. This means that each center's operating manager can work independently without being directly controlled by a region- or country manager. Anne-Louise Ahlin, current operating manager at the Askim facility, said that the gym feels like it is her own and she is able to do what she wants to receive the best results (personal communication, April 11th 2014).

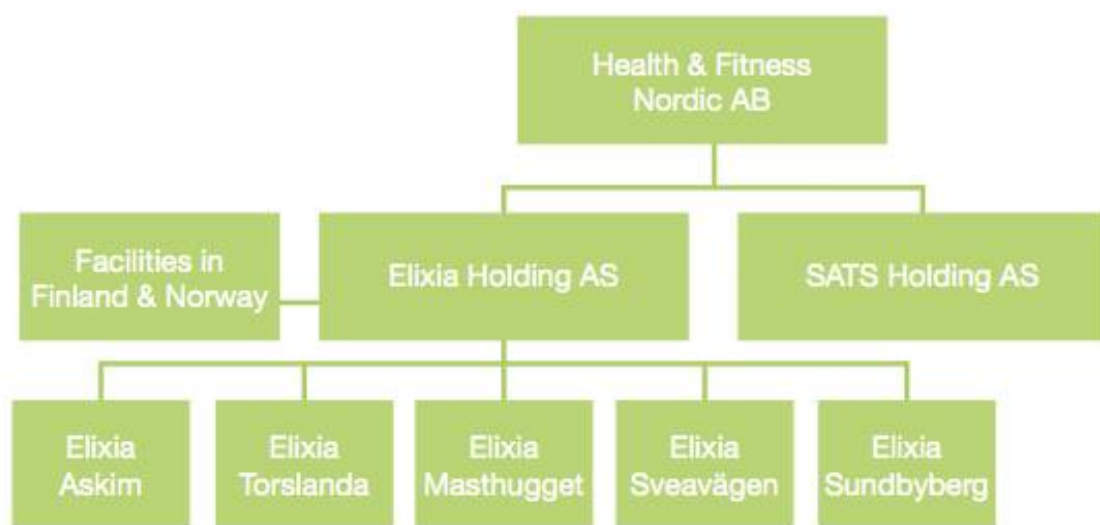


Figure 4: *The organization structure of Elixia.*

4.2 Gymnasium

This section will explain the management control systems used in Gymnasium. The chapter is divided into four sections; Culture, Decision making & Communication, Objectives & Rewards and Tasks & Responsibilities.

4.2.1 Culture

In Gymnasium the culture and the family environment at the facility was strong. Their slogan can be translated to: *“Working-out - Meet - Feel like home”* (personal communication, April 16th 2014), and was clearly communicated to both employees and costumers. Mrs.

Grünerberger said that the managers and owners had constant communication with the employees about how to behave and what is significant for a good costumer contact. The owners wanted Gymnasium to be symbolized with high quality and therefore they spent a lot of time keeping the facility in top shape (personal communication, April 16th 2014).

Personality and the fit to the organizational culture was the most important qualification when hiring new personnel. Education was required for the personal trainers and the instructors, but for other positions education was not needed. In Gymnasium they strived for creating a team spirit where everybody felt like that had a value for the organization. According to Mrs. Grünerberger the corporate culture made Gymnasium attractive as an employer, which gave them many applicants and the opportunity to choose the best personnel (personal communication, April 16th 2014). If an employee did not fit to the working environment at Gymnasium, the owners or the managers tried to talk to them immediately. An easy way to reinforce the norms and values was to repeat them with the whole staff instead of doing it individual. Mrs. Grünerberger meant that keeping a good environment was not a challenge (personal communication, April 16th 2014).

To keep the company’s family culture Mr. and Mrs. Grünerberger went on trips together with their employees for conferences and for visiting fairs. For Mrs. and Mr. Grünerberger it was important to let all the employees go, even the part-time workers, to achieve the family environment (personal communication, April 16th 2014).

4.2.2 Decision making & Communication

Mrs. Grünerberger and her husband daily appeared at the gym to observe every detail and make sure that the facility was of top quality. Mrs. Grünerberger mentioned that they had a budget but did not strictly follow it. It was possible for the owners to act spontaneously which made the decision making process fast. The owners were involved in all the decisions since it was important for them that the company, in their opinion, was managed in the best possible

way. It was through this management style they were creating value according to Mrs. Grünerberger (personal communication, April 16th 2014).

4.2.3 Objectives & Rewards

In Gymnasium it was the owners that were setting the financial and non-financial goals with help from the head operative manager. The goals were not specified with numbers for the employees. The owners believed that the employees were aware of what it takes to be competitive in the industry. That the competitiveness was connected with a good performance and generating salary and safe employment was common sense according to Mrs.

Grünerberger (personal communication, April 16th 2014).

Gymnasium was measuring their financial goals every month by printing reports. The reports gave a good overview of what services or goods they needed to sell or buy more of. Their constant appearance was a way to measure the non-financial goals through communication, and their observations made them aware of the financial condition and where to allocate their resources (personal communication, April 16th 2014).

The personnel were evaluated every month but it was the overall year performance that mattered and led to rewards. The employees got financial rewards if they over target the selling goals, but to encourage teamwork the rewards were always group-based. If the personnel performed worse one month it was evaluated so they were able to improve the following month, but Gymnasium never used any kind of direct punishments. Mrs. Grünerberger meant that the employees wanted to perform since they knew a bad result, would lead to fewer resources available to spend on for example trips and other events (personal communication, April 16th 2014).

4.2.4 Tasks & Responsibilities

If the management or the owners believed that one employee could fit to do another task then employed for, they were gladly to give the person a try. If the personality did fit to the organization it was easy to offer additional educational or training. It was always important for Gymnasium to educate and foster the personnel and they were given a lot of possibilities. For that reason many of the employees at Gymnasium had multiple roles; a receptionist could for example work as an instructor or as a personal trainer at the same time (personal communication, April 16th 2014).

The employees had a manual that explained their rights and obligations, and they also had a job profile that defined their tasks. Additional Gymnasium had checklists that controlled the

staff's daily tasks. The checklists were very specified and as soon as a task was done it was signed and checked offed the list. Before closing the list was handed in to the managers and they were followed up carefully so that the tasks were done correct. According to Mrs. Grünerberger these lists were always followed up and it was a good tool to control the personnel (personal communication, April 16th 2014). Mrs. and Mr. Grünerberger's consequently appearance at the facility made it possible to control that every employees did what was expected (personal communication, April 16th 2014).

4.3 Elixia

This section will explain the management control systems used in Elixia. The chapter is divided into the same four sections as the previous chapter; Culture, Decision making & Communication, Objectives & Rewards and Tasks & Responsibilities.

4.3.1 Culture

Mrs. Ahlin and Mrs. Liljegren were eager to mention that they are striving to keep the family environment that was created in Gymnasium to make the employees work as one team. No employee is worth more than another and bad mouthing is strictly forbidden. By making every employee feel like home, make colleagues into friends, and involving the employees, will make them feel proud of their work (personal communication, April 11th 2014). On Elixia's website it is possible to read about their core values: *Respect, Trust and Sincerity*. It is explained that Elixia believe in the human and the human's desire to perform its' best and the importance of being proud of their work (Elixia, 2014). Mrs. Ahlin explains that to create this culture the managers arrange dinners and parties for the employees (personal communication, April 11th 2014).

Elixia has a manual called "*keep your going*" that includes guidelines about how an employee should act and behave to keep what they call "*the Elixia spirit*". This manual is created in Norway and the same Swedish adapted version is used at all the facilities in Sweden. At the facility in Askim they use "*keep your going*", but many of their old values and norms from Gymnasium are kept. Mrs. Ahlin also mentioned that everyone who works at the center in Askim are sports people and like having goals to strive for, which has created a competitive environment at the facility (personal communication, April 11th 2014).

When hiring new staff certain education is needed for instructors and personal trainers. Mrs. Ahlin explains that the most important qualification is that the employee share Elixia's values and norms, that he or she has an interest of fitness and health (personal communication, April 11th 2014).

4.3.2 Decision making & Communication

At Elixia's facility in Askim Mrs. Ahlin and Mrs. Liljegren have the highest decision making authority while all the other employees are at the same level and are not allowed to make big decisions. Before each fiscal year the operative manager together with sales people, the vice operating manager and support, create a budget and plan for the up-coming year. The budget is later send to the head-office in Norway where it gets directly approved or adjusted. As long

as the center keeps within the approved budget, the managers have the power to decide what activities that should be organized. Mrs. Ahlin explains that she feels more independent then before since she can use her management authority without being supervised (personal communication, April 11th 2014).

4.3.3 Objectives & Rewards

Elixia's vision is to create an environment where their customers feel at home and love to spend time. To be able to achieve their vision both financial and non-financial objectives are set. The operating manager involves the employees at the facility when deciding their operative goals. Mrs. Ahlin means this creates a better team spirit where everyone feels involved and takes more responsibility (personal communication, April 11th 2014).

The objectives are clearly communicated to everyone and the staff is fully aware of what is expected. The center measure and evaluate their financial performance to make sure they are keeping up with their budget or if changes are needed. The head-office is daily updated and checking the facility's selling numbers, even though they are not present at the facilities. Mrs. Ahlin explained that the non-financial objectives are measured by good communication with their customers and employees that gave qualitative information (personal communication, April 11th 2014).

Evaluations of the employees' performance are done frequently, both by printed reports and evaluation meetings with managers. Elixia usually organize sales competitions at the centers to keep up the salesmen's and personal trainers' motivation. The goals are not set to get the employees to compete against each other but to trigger the employees to beat the target. Everyone who reaches the target gets an individual reward but the selling staff is still supposed to work together and motivate each other. No punishments are given, but Mrs. Ahlin means that the lack of a reward can be seen as a punishment (personal communication, April 11th 2014).

4.3.4 Tasks & Responsibilities

At Elixia every employee have a specific position, for example personal trainer, receptionist or instructor. If an employee wants to develop within the organization he or she can be offered training and education within his or her specific field. The "*keep your going*" manual does not only include "*the Elixia spirit*" how to behave but also job profile definitions. As a complement to the "*keep your going*" manual, the facility in Askim has chosen to keep parts of the old job profile manual from Gymnasium. According to Mrs. Ahlin this was a way of

keeping the well-functioning organization they earlier had created (personal communication, April 11th 2014).

In Elixia they kept Gymnasium's old checklists as guidelines for their routines. Mrs. Ahlin means they use these checklists for everything, for example opening, closing and cleaning routines. The checklists are not evaluated or controlled since the managers trust their staff to do their job (personal communication, April 11th 2014).

4.4 The change from another point of view

This part will give another view of the change at the facility due to the acquisition. Opinions from two employees and two customers have been summarized. Changes that have clearly been mentioned before will not be repeated in this section. The chapter is divided into the same four sections as previous chapters; Culture, Decision making & Communication, Objectives & Rewards and Tasks & Responsibilities.

4.4.1 Culture

The receptionist meant that Elixia and Gymnasium had the same vision of how the cultural environment was supposed to be, and how the employees were expected to act at the facility. Right after the acquisition Elixia's top management tried to educate the personnel at the facility in how to behave, but after the top management from Oslo, had been visiting the facility they got impressed of the way they were acting and their strong culture. Hence Elixia's top management accepted the value and norms that already existed at the facility and did not try to change them as much as planned (personal communication, May 6th 2014). According to the personal trainer Gymnasium succeeded creating a family environment at their different facilities, but he also mentioned that the owners of Gymnasium were very generous and the staff were used to receive benefits as trips. The personnel got disappointed when these incentives disappeared after the acquisition (personal communication, May 9th 2014).

The employees experienced that tension grew among the staff after the acquisition due to new result oriented culture. A part of the personnel got rewarded and the rest were left without, which separated the personnel into groups with different cultures.

The environment on the facility have, according to the customers, been the same over time, the only noticeable difference is a lower level of professional service. In the beginning of Elixia a lot of group exercise classes got changed, although they had the same instructors. The customers had a good contact with the instructors and the classes soon got customized to get the customers satisfied again. The customers mentioned that the facility was more clean and fresh during Gymnasium, and they believed that it was because the owners always were there and putting pressure on the personnel (personal communication, May 8th 2014).

4.4.2 Decision making & Communication

The receptionist and personal trainer both meant that during Gymnasium the decision making process was fast and spontaneous. If the employees had any ideas or concerns they could immediately speak to Mr. and Mrs Grünerberger and action could be taken. After the acquisition they felt that restrictions got harder and the spontaneity disappeared since the managers had to take the budget and Elixia's guidelines into consideration.

4.4.3 Objectives & Rewards

The receptionist mentioned that the biggest change when transformed into Elixia was that the goals got clearer, especially the goals concerning sales. The facility hired specific salesmen and more time was spent on selling and the pressure enhanced. The personal trainer felt more pressure due to the new selling goals after the acquisition (personal communication, May 9th 2014). At Gymnasium all the personnel got rewarded if they did a good job, but after the acquisition the management started to reward the new salespersons and left the others without (personal communication, May 6th 2014).

4.4.4 Tasks & Responsibilities

Mr. and Mrs. Grünerberger daily appearance at Gymnasium made the staff feel supervised since the owners could control every detail. After the acquisition the atmosphere got more relaxed and the employees could work more independently towards the goals, which on the other hand were stricter according to the personal trainer (personal communication, May 9th 2014).

The customers have experienced differences concerning routines after the acquisition, for example during workout classes and reservations of classes. The routines during classes are stricter and it is more complicated to for example cancel a class that you have signed up for (personal communication, May 8th 2014.).

5. Discussion

This chapter will discuss how the theoretical framework is congruent with the empirical data of this study. The chapter is divided into four sections; Culture, Decision making & Communication, Objectives & Rewards and Tasks & Responsibilities. To help the authors to compare some differences in the management control systems a summarizing table based on Davila, Foster & Jia (2010) have been created. This table can be found in Appendix II.

When mentioning Gymnasium and Elixia in this chapter the authors refer to the facility in Askim before (Gymnasium) and after (Elixia) the acquisition.

5.1 Culture

When the group Elixia acquired the family business Gymnasium, the culture at the operative level got affected. Elixia tried to integrate their culture through cultural assimilation, which is one of the three ways for cultural integration that Jordão, Souza and Avelar (2013) describe. Difficulties occurred due to the strong cultural environment in former Gymnasium. The top management of Elixia soon realized that blending the different cultures and integrating the personnel in the process, would be better than forcing the employees to adapt to a new foreign culture.

Value-based control is one type of cultural control that can be used to make the employees align with the company's values and direction (Malmi & Brown, 2008), which was accomplished by different methods in Gymnasium and in Elixia. In Gymnasium no concrete tools were used to control the culture, since the owners worked close to the personnel and were able to continuously reinforce the values, which is significant for small companies according to Davila et al. (2010). After the acquisition Elixia started to use a manual called "keep your going" as a tool to control the cultural environment with a desire to reach the "Elixia spirit" at the operative level.

Acquiring companies usually have financial result oriented cultures that are dominating after an acquisition according to Jordão et al. (2013). The professional salesmen that Elixia hired after the acquisition of the family business could possibly be an evident of this result oriented culture. When blending the separated cultures the employees experienced competitiveness due to the new environment at the operative level. In Gymnasium the family culture was of high priority and the owners tried to make all the employees feel equally important for the organization and to enhance the team spirit. Before the acquisition all the employees were

responsible for sales and the new separated duties in Elixia created tension, since the old personnel felt left behind. As Malmi and Brown (2008) mentioned, groups known as clans arise, and different cultures coexist within the unit.

Malmi and Brown (2008) specified symbols, for example the workspace, as another tool to control the cultural environment. Gymnasium had a vision of being the best within the industry and would never abandon their symbol of high quality. When transforming into Elixia customers experienced that the quality at the gym was declining and thereby even cultural control.

5.2 Decision making & Communication

In Gymnasium Mr. and Mrs. Grünerberger were involved in all levels within the organization and engaged in all the decision making activities. They had a constant overview of the business environment by their interactive control. The interactive control was symbolized through the owners paying attention to the employees by constant dialogues, to advocate learning within the organization (Simons, 1995). The top management in a large organization as Elixia cannot supervise all the actions at an operative level due to their size. The control system in Elixia could be defined as diagnostic control, due to the formal business plans and strict budgets (Simons, 1995).

In the family business Gymnasium Mr. and Mrs. Grünerberger were constantly present at the facility and thereby informed about the performance. It was possible to make fast and spontaneous decisions about where to allocate the resources, which is significant for small businesses according to Davila et al. (2010). The sub-unit in Askim was well functioning but due to requirements from stakeholders, the top management of Elixia, formal management control systems needed to be implemented after the acquisition. This is what Davila, Foster and Jia (2010) mention as an external reason for adoption, called contracting. With an organization of Elixia's size the old way of personal communication were no longer functioning and a new communication tool was required (Davila, 2005). Elixia wanted to keep Gymnasiums family environment and entrepreneurial spirit after the acquisition and the operative managers were given full responsibility at each facility. However, the bureaucracy of management control systems was needed to provide the top management with information, since they did not participate in any activities at the operative level. In Elixia the management control tools were used to coordinate and plan the sequences of steps through planned actions

to receive their goals. According to Davila et al. (2010) one reason for adoption is to provide the top-management with the right information to minimize the risk for making the wrong decision and for avoiding chaos. By using formal control systems it was possible for Elixia's top management to make the right decisions since they got the right information. After the acquisition Elixia implemented new management control systems at the operative level, with budgets and formal business plans. A budget was made before each year to facilitate decision-making and resource allocation. This was done to help the top management to plan for the organizations future and to give guidelines for the operative managers how to run the unit.

5.3 Objectives & Rewards

Jordão et al. (2013) mean that if the organization creates new management control systems after an acquisition it will be dominated by the acquiring company's old systems. The facility in Askim adopted the Elixia's way to run a business with more result oriented management control systems. According to Davila et al. (2010) employees are well informed about the corporate strategies and objectives in smaller companies, but this was not the case in Gymnasium where the goals were abstract. After the acquisition the objectives and strategies got clearly stated at the operative level and variances of outcomes got observed and evaluated. According to Davila et al. (2010) this kind of explicit and stable goals could be used to create a shared view of the company's future. The managers in Elixia were not facing any problems with their new role, including communicating the new strategy and goals, and therefore the facility did not experience the entrepreneurial crisis (Davila, et al., 2010).

To get their employees to accept the new result oriented management control system with explicit goals, Elixia engaged employees in the managerial process by setting individual goals that were aligned with the company's goals. Jordão et al. (2013) claims that it is important to use the management control system as a coordination, integration and monitoring mechanism, to align the employees' goals with the company's goals. Sales competitions were introduced after the acquisition to motivate the employees and make them strive for the company's new objectives. In Elixia the rewards got individual and were based on selling numbers. Before the acquisition sales competitions were not used, instead the personnel got rewarded if they over performed. These rewards were always group based to enhance teamwork.

5.4 Tasks & Responsibilities

The family business Gymnasium had during years collected knowledge and experience, which Davila (2005) explains that a company does when ageing. Management control systems were adapted for a reactive reason; to formalize routines and actions as suggested by Davila et al. (2010) and job profiles and checklists were made. When Gymnasium turned into the sub unit of the big group the new organization inherit parts of the old controlling tools and merged it with the Elixia's own manual called "*keep your going*". Although the facility had both checklists and manuals before and after the acquisition the employees felt that they worked more independently after the acquisition. In Gymnasium the employees and the operative managers had a feeling of being more supervised since the founder were present and controlling every detail. The strict control in Gymnasium was noticeable with the checklists, which were strictly followed up, whereas they were not controlled and evaluated in Elixia. With the new tools the management control systems in Elixia got a new role to promote accountability and facilitate control, that Davila claims et al. (2010) save managers time since they do not have to monitor all the actions.

The family business; Gymnasium's management style can be referred to Malmi and Browns (2008) informal professional control. Informal professional control can be used to create learning within the organization, and in Gymnasium they gladly gave the employees opportunities to try new areas. After the acquisition the job positions got more separated to make sure that every employee were working on its' optimal position. The strict optimal allocation of human resources in Elixia could be a way of controlling the operations at the operative level, higher the productivity and quality, to generate higher revenues and corporate results. According to Malmi and Brown (2008) this can be referred to as formal management control systems.

6. Conclusions

This chapter will give conclusions drawn from the analysis and suggestions for further research.

6.1 Contributions to the research

This thesis contributes to the research by giving a practical example on how management control systems change at an operative level when growing through an acquisition. These conclusions have been drawn from interviews held with operative managers, former owner, employees and customers. The thesis answer the research question: “How do the management control systems change at an operative level when a family owned company transform into being a unit of a big group through an acquisition?”

The first conclusion from this research is that the smaller family business was mainly controlled informal by their corporate culture. This thesis therefore supports Davila, Foster and Jia’s (2010) research that small companies are controlled by corporate culture. When becoming a unit of a large group they had to adopt new formal management control systems at the operative level. This was required because of the new size to be able to communicate with the top management of Elixia. The informal culture control in Gymnasium appeared through strong symbol-based and value-based control (Malmi & Brown, 2008). The value-based control got equally strong in Elixia but less important since it got used as a complement to the formal control tools.

Secondly the study shows that the family business used interactive control but after the acquisition the unit started to use diagnostic control at the operative level. The diagnostic control in Elixia was symbolized trough their new control tools as strict budgets, formal business plans, clear objectives and strategies (Simons, 1995). Gymnasium did not use these kind of tools instead they focused on a close relationship with their employees and learning within the organization, which can be called interactive control (Simons, 1995).

Thirdly this research gives an example of that after a group’s acquisition of a family company the family company adopts the acquiring company’s management control systems and result-oriented culture at the operative level. This contributes to Jordão et al. (2013) research about acquisitions. This thesis states that when going from a small family business to being a unit of a large group the objectives get clear and explicit. To get the employees aligned with the company’s goals, individual goals were set by the managers. For example, sales competitions were introduced at the operative level were the individual performance was evaluated and

rewarded. In the small family business the rewards were not connected with the individual performance, it was rather used for encourage the group and based on the company's current resources.

Finally the results of this study show that in the small family business the employees and management felt more supervised than after the acquisition. In Gymnasium the owners were constantly controlling the personnel by their appearance since they were in lack of formal control system. When transitioning into being a unit of the large group, new management control systems got adopted at the operative level, and got a role of promoting accountability and facilitate control, making the employees and management feel more independent (Davila et al., 2010).

6.2 Further research

When writing this thesis the authors noticed that there are many factors and variables to investigate concerning acquisition and growth, and further research could be recommended. The conclusions of this thesis show that the reward systems are diverse and motivating the employees are done differently, in a family company compared to in a large group. These differences have not been closer analyzed in this research and could therefore be recommended as an area for further research. It would also be interesting to do a research of a group were the top management is controlling the units directly, to possibly observe more changes at an operative level. The group in this case study managed the facility entrepreneurial, which made the changes in the control systems after the acquisition relative small.

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7.2 Figures

Figure 1: *The diagram shows the turnover in Gymnasium from the start-up in 2004 to the year of the acquisition. Annual reports Gymnasium 2004-2010.*

Figure 2: *The following diagram shows the net income in Gymnasium from the start-up in 2004 to the year of the acquisition. Annual reports Gymnasium 2004-2010.*

Figure 3: *The organization structure of Gymnasium.*

Figure 4: *The organization structure of Elixia.*

7.3 Literature

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7.4 Personal communication: Interviews

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Employee; receptionist at Elixia Askim.

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Appendix I – Davila, Foster and Jia’s control tools

The following appendix shows the different control systems from the article by Davila, Foster and Jia (2010).

Category of System	Individual Systems Within Category
Financial Planning	Operating budget Cash flow projections Sales projections
Financial Evaluation	Capital investment approval procedures Operating expenses approval procedures Routine analysis of financial performance against target Product profitability analysis Customer profitability analysis Customer acquisition costs analysis
Human Resource Planning	Core values Mission statement Organizational chart Codes of conduct Written job descriptions Orientation program from new employees Company-wide newsletter
Human Resource Evaluation	Written performance objectives for managers Written performance evaluation reports Linking compensation to performance Individual incentive programs
Strategic Planning	Definition of strategic (non-financial) milestones Customer development plan (plan to develop market) Headcount/human capital development plan Product portfolio plan (plan about future products) Investment budget

continued on next page

Source: Davila A., Foster G. and Jia N. (2010). *Building sustainable high-growth Startup Companies: Management systems as an accelerator*. California Management review vol. 52, No.3. Accessed: 2014-04-23

TABLE I. Management Systems Examined in the SEMAS Research (*continued*)

Category of System	Individual Systems Within Category
Product Development Management	Project milestones Product concept testing process Reports comparing actual progress to plan Project selection process Product portfolio roadmap Budget for development projects Project team composition guidelines
Sales/Marketing Management	Sales targets for salespeople Market research projects Sales force compensation system Sales force hiring and firing policies Reports on open sales Customer satisfaction feedback Sales process manual Sales force training program Marketing collaboration policies Customer relationship management system
Partnership Management	Partnership development plan Policy for partnerships Partnership milestones Partner monitoring systems

Source: Davila A., Foster G. and Jia N. (2010). *Building sustainable high-growth Startup Companies: Management systems as an accelerator*. California Management review vol. 52, No.3. Accessed: 2014-04-23

Appendix II - Control tools used in Gymnasium & Elixia

This appendix consist a summarizing table based on Davila, Foster & Jia (2010) to help the authors compare the differences in management control systems between Gymnasium and Elixia. Only six out of eight categories of systems will be presented due to the limitations of this thesis.

	Individual System Within Category	Gymnasium	Elixia
Financial planning	Operating budget	Looser budget: not strictly followed and not communicated to personnel	Clear and well-communicated budget & goals
	Sales projection	In owners' thoughts, not written.	Specific sale targets
Financial evaluation	Capital investment and operating expenses approval procedures	Everything had to be approved by the owners, except smaller purchases	Budget approved by head-office Operating expenses approved by managers
	Routined analysis of financial performance against target	Monthly check-ups	Daily check-ups
	Product/Customer profitability analysis and acquisition cost analysis	The importance of acquiring and keeping customers well-communicated. No definite numbers	The importance of acquiring and keeping customers well-communicated. definite numbers
Human resource planning	Core Values, Mission statement & Organizational chart	Clearly stated and communicated	Clearly stated and communicated
	Written job descriptions	Guidance manual	"keep your going" and manual
	Codes of conduct:	Constant communication	"keep your going" + constant communication
	Orientation programs for new employees	Introduction with Education and training	Short introduction. Learning by doing
	Company-wide newsletter	No	Yes

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Human resource evaluation	Written performance objectives for managers	No	Yes
	Written performance evaluation reports	Not written reports.	Yes, but mostly for salesmen.
	Linking compensation to performance	Yes. Employees rewarded in group if the company performed good.	Yes, salesmen rewarded individually if they reached their targets.
	Individual incentive programs	No	Yes, but mostly for salesmen
Strategic planning	Definition of strategic (non-financial) milestones	Yes Yes	Yes
	Headcount/ human capital development plan	Yes, but only in owners' thoughts.	Yes Not at an operative level.
	Product portfolio plan	No	Yes
	Investment budgets		
Sales/Marketing management	Sales targets for sales people	No	Yes
	Sales force compensation systems	No No	Yes No
	Customer satisfaction feedback	No	Yes
	Sales force training program		

Appendix III - Interview guide

This appendix provides the reader with an overview of the questions asked during interviews with employees and customers.

Interview 1 and 2:

The following questions were asked during interviews with Mrs. Grünerberger, Mrs. Ahlin and Mrs. Liljeström. The same questions were asked at both occasions with some exceptions. When interviewing Mrs. Grünerberger about Gymnasium the questions were asked in historical tense. While interviewing Mrs. Ahlin and Mrs. Liljeström about Elixia the questions were asked in present tense. The questions below are written in historical tense.

These questions were complemented with follow-up questions. All interviews were started with the interviewed person presenting herself and her work.

- What did the organization structure of Gymnasium/Elixia look like?
- Who was in charge for the facilities economy? Did you have a budget? If so: who were informed about it and who were able to influence it?
- Who decided the objectives of Gymnasium/Elixia? Who were involved in the process?
- Can you give any examples of financial and non-financial objectives?
- How often did you measure and evaluate the objectives?
- Were the non-financial objectives as important as the financial ones? Were they decided in the same way?
- How well informed were the staff about Gymnasium's/Elixia's objectives?
- Did you have any kind of rewards, incentives or punishments for the employees when reaching or not reaching the objectives?
- Did you arrange sale competitions? Within the facility? Between the facilities? Who decided these?
- Did you arrange selling activities or campaigns? Who decided these?
- How did you hire new personnel? What criterias were you looking for?
- How did you educate your staff?
- How did you make sure that each employee had the most suitable position?
- How did you keep your employees motivated and make them wanting to perform their best?
- How did you do to make the employees care about Gymnasium/Elixia and wanting the facility to succeed?
- Were the employees' tasks divided? Did the employees have a job description of what their position included?
- Did all the employees have access to all parts of your computer systems?
- Were all the employees allowed to open up and close down the facility or did you have someone special who was in charge for that?
- Did you use checklists for different tasks? If so: how often were they followed-up and evaluated?
- Did you have a vision or core values for the organization? Were all employees aware of these?
- Was it easy for new employees to adapt to Gymnasium/Elixia and the way you were working?
- Did you feel like an ambassador for the organization?
- Did you feel like a role model for your employees?
- What are the biggest changes, in your opinion, between Gymnasium and Elixia?

→ Questions only for Mrs. Grünerberger:

- What was your vision when starting Gymnasium?
- Why did you choose Elixia as an acquiring company?

Interview 3 and 4:

The following questions were asked during interviews with a receptionist and personal trainer at Elixia Askim. All interviews were started with the interviewed person presenting his- or herself and his or her work. The following questions were complemented with follow-up questions. The questions below are written in present tense but when the employees were asked the following questions, they were asked to tell about how it was before and after the acquisition.

- Do you feel well informed about the organizations vision and core values?
- How well informed do you feel about the organizations objectives?
- Who informs you about the vision and objectives?
- Do you feel you get rewarded for doing a good job or when reaching objectives?
- Do you feel well informed about how to act against colleagues and costumers?
- Do you feel that everybody gets along and work as one team or is the staff divided into different groups?
- Do you feel like a representative for the company?
- Do you have a specific job description?
- Do you have a checklist for your daily routines? If so: how often is that controlled and evaluated?
- How supervised or control do you feel by your managers while working?
- What do you think are the biggest changes and differences between Gymnasium and Elixia?

Interviews with costumers

The following questions were asked to costumers who have been costumers both during Gymnasium and Elixia.

- Do the atmosphere feel differently in Elixia compared to in Gymnasium?
- Do you experience any differences in standards at the facility, for example regarding cleaning?
- Do you feel any difference in how Elixia and Gymnasium is organized with for example routines? Have there been any changes noticeable for you, for example: more structured gym classes, or difficulties to cancel classes?
- Do you feel that you as a costumer have a good personal relationship with the employees at Elixia? Was there a difference at Gymnasium?
- What do you think are the biggest changes and differences between Gymnasium and Elixia?