Performance Management Systems in Albanian Mobile Operators – Two Case Studies

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Abstract:
This thesis explores the components of the MCSs in use by two Albanian Mobile Operators AMC and Eagle. The methodology used is that of multiple case studies; the study is interpretative, analyzing qualitative data, and has an inductive approach. There are three MCS frameworks used the Object of Control (Merchant and Van der Stede 2007), Control Package (Malmi and Brown 2008) and Performance Management Systems (Otley and Ferreira 2009). The empirical findings were gathered by using semi-structured interviews. Both managerial and non-managerial staff were interviewed according to their areas of expertise in MCSs. The findings suggest that the MCSs used by the two operators are highly structured as per the three frameworks, that AMC does not use any well known model (such as BSC, Tableau de Bord, Performance Prism etc.), whereas Eagle uses a customized BSC, and that the strategies of each of the companies are translated into action through the respective MCSs.

Key-words: management control systems, performance management systems, mobile operators, AMC, Eagle, Albania
To my mother, Pranvera Pone, and my father, Stavri Pone
for their endless love
and to my brother, Egest J. Pone
for being my role model
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Dorian Pone
Tirana, June 15, 2012
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1 Introduction

It is generally accepted that the manager as a decision-maker has four major roles – planning, leading, organizing, and controlling (Robbins and Coulter 2007; Schermerhorn, 2011). While these four management roles are intertwined, this thesis is concerned with the controlling aspect of management and more specifically with management control systems (MCSs).

Robbins and Coulter (2007, p. 39) point out that “Taylor, Fayol, and Weber gave us principles of management that they generally assumed to be universally applicable”. As mass production moved towards mass customization (and later to just-in-time, lean, etc.), the scientific management critics came up with the contingency approach, which basically holds that no template MCS is optimal for all organizations, in other words there is no “one size fits all” MCS. Cadez and Guilding (2008, p. 837), building on other works on contingency theory hold “that organizational structures and systems are a function of environmental and firm-specific factors” while Otley et al. (2003, p. 104) claim that “effective organizations adjust their management control systems, including budgetary control, to fit their strategy”. Ittner et al. (2003) support this idea when they talk about the alignment of organizational characteristics and control systems. These comments show that contingency theory is in direct contrast to Taylor’s, Fayol’s and Weber’s universal principles and that MCSs should be designed to fit the company’s structure and its strategy. While the three management scientists mentioned above would believe that bureaucracies and job specializations would lead to profitable organizations in their era, nowadays we are witnessing that organizations have flattened their structures and tend towards employee enrichment and involvement instead of job specialization. The linkage between organizational structure, managerial processes, (of which MCSs are part of), and strategy is captured quite well by Milgrom and Roberts (1995, p. 180) when they say that “students of business policy and organizations have argued, largely on inductive and experiential grounds, that a firm’s strategy, its structure, and its managerial processes have to ‘fit’ with one another”.

Performance management systems (PMS) and MCSs are nothing new to the western (developed) world; in fact Bititci et al. (2011) point out that they found over 200,000 articles published in prestigious journals such as International Journal of Business Performance Management, International Journal of Operations and Production Management and similar ones, when entering ‘performance measurement’, ‘performance management’, ‘performance indicators’, ‘management control’ and ‘strategic control’ as keywords to search in online management databases (such as Business Source Premier, Web of Knowledge, Emerald Insight, Scopus and Science Direct) covering the period from 1980 to 2010. It is obvious that PMSs and MCSs are contemporary and well-covered topics but also widely debated ones.

Cardinal et al., cited in Davila et al. (2009), state that why (management control) systems are adopted has not been addressed by existing theory. This is a good point, as MCSs are often taken for granted without questioning their benefits and costs. Nevertheless there are some authors who question the benefits and costs of MCSs; for instance, Sobotka and Platts (2010) question whether PMSs and MCSs are needed for any type of organization as they can lead to the dehumanization of the employees. In
their study of a German energy distribution company they found that even though no formal individual performance measurement (which is usually regarded as a MCS component) was used in this company, it nevertheless excelled both in customer service and in financial profit. It seems this company performs very well without an individual employee performance measurement. This example leads us to the question whether companies should adapt the MCS to their organization and its culture, by adding or removing certain components, or should they simply employ known models such as the Balanced Scorecard (BSC), Tableau de Bord, etc. The BSC was conceived by Kaplan and Norton (1992) and it is a measurement system which takes into account not only financial but non-financial performance as well. Four strategy perspectives need to appear in every balanced scorecard: financial, customer, internal and innovation and learning. Tableau de Bord is a French measurement system similar to the BSC, but it was developed some 60 years before the BSC (Bessire and Baker, 2005).

Other authors, for example Hope and Fraser (1997), go as far as to question the traditional budgeting system, which is considered a classical management control tool, more specifically an accounting (and financial one) (Covaleski and Dirsmith, 1983). Budgeting systems have been around since what Hope and Fraser (1997) refer to as the "second wave", i.e. the industrial age, and they believe that the budgeting systems are too old, archaic to be used in the "third wave" or the information age. They mention several companies in Scandinavia, such as Svenska Handelsbanken and ABB, which have long ago stopped using the traditional budgeting system and still have been able to deliver excellent financial results.

1.1 Research Problem

Similarly to the approach followed by Bititci et al. (2011), mentioned in the previous section, in the first weeks of this study, I searched for articles, papers related to PMSs and MCSs and similar concepts on Albania, a small developing country, geographically located in Europe, but not a member of the European Union yet, and also my home country. I was able to find only six relevant articles from this search.

From the six articles identified, only two, one by Kume and Leskaj (2010) and the other one by Naco and Demiraj (2011), are related to PMS, MCS, and strategic management, the former being a study about strategic management in Albanian companies, whereas the latter a study about the way performance is measured in the footwear industry in Albania. Obviously two articles on strategic management and PMS make for a very limited knowledge in the field of management control, for a country which became a free market economy about 20 years ago.

De Waal (2007), after performing a study at a University in Tanzania calls for more research regarding PMS and their implementation in other organizations and other (developing) countries. Being a national of Albania and studying Industrial Management in Western Europe, I felt the need to answer De Waal’s call; having worked in a mobile operator company in Albania for eight months, being a customer of mobile operator companies for many years already, I find it both useful and manageable, in the time available to perform the master thesis, to study the PMSs/
MCSs in two mobile operators in Albania. Another important factor for this study in Albania, is the willingness offered by the two mobile companies, namely AMC and Eagle, to take part in it.

The mobile industry in Albania consists of four operators: AMC, Vodafone, Eagle and Plus. This industry while relatively new (only 16 years old), is still an important one: it serves almost every Albanian citizen, it employs many Albanians and has yearly revenues of almost 500 million USD (Mataj, 2011) which is about 4% of Albania’s GDP. AMC was the first mobile operator in Albania and started its services in 1996; Vodafone in 2001, Eagle in 2008 and Plus in 2009. The coverage of the populated areas as per the information in the respective websites is: AMC 100%, Vodafone 99.6%, Eagle 97.8% (in 2008) and Plus 95%. All four companies offer similar services, such as prepaid and postpaid subscriptions, SMS, mobile internet access, etc. 3G internet access is only offered by AMC and Vodafone, so it can be considered as a competitive advantage of these companies. In Albania the 3G license can be obtained by competitive bidding, i.e. 3G is not a liberalized market (SeeNews, 2011). The penetration rate of mobile phones is 148% (AKEP, 2011), a little higher than that of the European Union, which was 124.2% by Oct. 2010 (Digital Agenda Scoreboard, 2011).

Figure 1 shows that the number of subscribers of mobile services has grown more than 100 times from the year 2000 to the year 2011. This tremendous growth in mobile subscribers in 11 years, should have had some impact in the development and implementation of MCSs in these companies; in other words, the more the number of subscribers a company serves, the more complex the managerial processes of the company, and its MCSs. Whereas the penetration rate, services offered and technology are similar to those of Western European countries, it would be interesting to investigate whether their PMSs /MCSs are at par with the relevant literature.
The population of Albania in December 2011, according to Census AL’s (2011) preliminary results, was 2,831,741.

In mid 2011, the number of subscribers and market share of each of the four companies was as shown on Figure 2.

To sum up the research problem consists of very limited knowledge regarding PMSs/MCSs on Albanian companies and organizations. The Albanian mobile industry has
grown tremendously in the last decade, so the MCSs of the companies that comprise this industry, have probably seen a great development as well so exploring the MCSs of two mobile operators, which make up for 60% of the mobile market, is not only of interest but also feasible during the time available for this study.

1.2 Research Questions

The study’s focus is the MCSs of two mobile operators (AMC and Eagle) in Albania, The research questions of this thesis are:

- what are the components of management control systems (MCSs) (or as recently referred to by Otley (2003) as PMSs), currently in use in AMC and Eagle?
- how are the MCSs/PMSs chosen, i.e. are they designed according to well-known generic models (such as the BSC) or are they designed from scratch without reference to the well-known models?

I believe that these questions are "just right' for investigation at this time, by this researcher in this setting” (Clough and Nutbrown, 2002, p. 33-34).

1.3 Research Purpose

The purpose of this research is to analyze the MCSs (PMSs) of AMC and Eagle through three relevant frameworks: Object of Control (Merchant and Van der Stede 2007), Control Package (Malmi and Brown, 2008) and Performance Management Systems (Otley and Ferreira, 2009) in order to examine whether the MCSs help in aligning the actions of the management and employees with the strategies of the companies. In addition, in the end, this study will have added to the scarce knowledge of PMSs in developing countries, in particular to Albania and its mobile operator industry.

1.4 Delimitations

The study has explored only two out of the four mobile operators in Albania, thus it is not a comprehensive study of the Albanian industry but only of part of it. Both AMC and Eagle have parent companies, but the latter as well as the supply chains of AMC and Eagle were not object of the study.
2. Methodology

This chapter presents the various research philosophies (paradigms), research approaches and data collection methods that can be used in business research and the actual philosophy, approach and data collection methods followed in this study. In addition the research quality of this thesis is discussed at the end of the chapter.

2.1 Research Philosophies

Research is conducted to discover knowledge and the Cambridge Dictionary (2011) defines knowledge as “understanding of or information about a subject which a person gets by experience or study, and which is either in a person’s mind or known by people generally”. In this thesis knowledge was gathered by study as opposed to experience, by interviewing managers and employees according to their areas of expertise and their willingness to take part in the study.

In engaging in a research project, Saunders et al. (2007, p. 101) state that “the research philosophy you adopt contains important assumptions about the way in which you view the world.” Hence, since the research philosophies are important in the quest for knowledge, I would like to briefly discuss the two main philosophies, namely positivism and interpretivism. In doing so it is important to clarify two concepts: epistemology and ontology, the former concerning the nature, or the “how” of knowledge, what constitutes “legitimate and adequate knowledge” Gray (2004, p. 16) or “acceptable knowledge in a field of study” (Saunders et al., 2007, p. 102) while the latter is concerned with “the study of being, that is the nature of existence” Gray (2004, p. 16) or “with the nature of reality” (Collis and Hussey, 2009, p. 59). For example natural scientists tend to accept only facts, and tangible objects as valid data for knowledge, while social scientists tend to accept more intangible objects such as emotions, social phenomena, which are hard to be quantified as valid data for knowledge.

Research philosophy is also known as research paradigm, e.g. Collis and Hussey’s (2009, p. 55) definition of research paradigm as “a philosophical framework that guides how scientific research should be conducted”, is very similar to that of research philosophy by Saunders et al. (2007). The two main paradigms, positivism and interpretivism, are explained below.

*Positivism*, “which has its roots in the philosophy known as realism” (Collis and Hussey, 2009), is the research philosophy or paradigm usually followed by researchers of the natural sciences, where tangible, quantitative data can be observed as opposed to intangible, qualitative data. E.g. Saunders et al. (2007), mention computers, trucks and machines as data preferred by the positivist researcher in a manufacturing setting. *Interpretivism* is the research philosophy or paradigm usually followed by researchers of social sciences. In positivism reality is tangible, and exists outside the researcher, whereas in interpretivism, reality is intangible, cannot be accurately quantified, and “is not objective but highly subjective because it is shaped by our perceptions” (Collis and Hussey 2009, p. 57). However these two main paradigms are not mutually exclusive, but rather there is a continuum between the two (Collis and Hussey, 2007), and it is
likely that researchers employ both approaches in the same research project. Saunders et al (2007, p. 116), warn the readers that they should not think about which of the two philosophies is better, as they are “better’ at doing different things”.

This study follows the interpretivist paradigm in both the ontological assumption where “reality is subjective and multiple as seen by the participants (Collis and Hussey 2009, p. 59) and the epistemological one as the “researcher interacts with that being researched” (Ibid.). Reality is mostly subjective because even though MCSs or PMSs certainly rely on objective (quantitative) data, such as key performance indicators related to the financial health of a company, most other concepts related to the MCSs and PMSs such as strategy, cultural controls, internal processes, innovation and learning etc., are intangible (qualitative) data which are usually viewed differently or subjectively by various people (interviewees in this study).

Having identified the research paradigm, I would like to discuss the methodology followed in this study. “A methodology is an approach to the process of the research, encompassing a body of methods”, while “a method is a technique for collecting and/or analysing data” (Collis and Hussey 2009, p. 66). There are numerous methodologies and they are generally classified in two groups according to the two main research paradigms, i.e. positivism and interpretivism (see Table 1). Collis and Hussey (2009) suggest that according to some researchers, in the past decades, pragmatism, a new research philosophy, has emerged. Pragmatists, i.e. the advocates of this philosophy argue that researchers should not follow strictly one paradigm or another, but take the best of each, and if need be mix methods, as “the weaknesses of one paradigm can be offset with the strengths of the other” (Collis and Hussey 2009, 66). I chose the case studies methodology as I thought it would be the most appropriate to find the answers to my research questions with high validity. In addition, I followed the pragmatist philosophy, i.e. the methods were chosen not because they are in line with the interpretivist paradigm, but because they fit best this study.

Table 1  Methodologies Associated with the Main Paradigms

<table>
<thead>
<tr>
<th>POSITIVISM</th>
<th>INTERPRETIVISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experimental studies</td>
<td>Hermeneutics</td>
</tr>
<tr>
<td>Surveys (using primary or secondary data)</td>
<td>Ethnography</td>
</tr>
<tr>
<td>Cross-sectional studies</td>
<td>Participative enquiry</td>
</tr>
<tr>
<td>Longitudinal studies</td>
<td>Action research</td>
</tr>
<tr>
<td></td>
<td>Case studies</td>
</tr>
<tr>
<td></td>
<td>Grounded theory</td>
</tr>
<tr>
<td></td>
<td>Feminist, gender and ethnicity studies</td>
</tr>
</tbody>
</table>

*Source: Collis and Hussey (2009, p. 74)*
2.2 Research approach

The classic view is that the research approach depends to a great extent on the research philosophy embraced by the researcher, whereas as mentioned above pragmatists hold that the approach taken should be the one which fits better to the research, without sticking blindly to the research philosophy. The three major approaches are induction, deduction and abduction. In the inductive approach, theory is inducted from experiments, observations, and the relevant data collected from them, in other words “moving from specific cases to the general law” (Ezzy 2002, p. 14) in the deductive one, hypotheses are created based on extant theories, tested and the results deducted to particular phenomena or “moving from a general rule to specific cases” (Ibid.). Abduction employs both induction and deduction, the former for empirical comparisons and the latter to test the hypotheses (Ibid.). As this study is explanatory, and no hypotheses are created to be tested the deductive approach is not appropriate, and therefore so is the abductive one. Instead the inductive approach was the right one – by collecting data on the MCSs (PMSs) employed by the two mobile operators in Albania and by analyzing the empirical findings theory was created on the current state of these MSCs (PMSs) in the two companies.

![Figure 3 Relevant Situations for Different Research Strategies](source: COSMOS Corporation (Yin 2003, p. 5))

Having identified the research philosophy and approach, the methodology needs to be selected and as per Table 1 there are at least seven methodologies to choose from. Certainly each methodology has its strengths and weaknesses and Figure 3 is very helpful to identify the most pertinent methodology. The research questions of this thesis are of the “how” type; no control of behavior events is required and the focus is on contemporary events. Thus, it seems the most appropriate method is that of case studies. Two mobile operators were explored and each of them is a case study in its own right. Even though only two case studies are explored in this study, the methodology can be considered as multiple-case study (Yin, 2004) and the two cases constitute an aggregated unit of analysis (Scapens, 1990). Cooper and Morgan (2008, p. 160) state that the case study methodology in the field of accounting, which is considered as part of MCSs, is useful when the researcher investigates:

- “complex and dynamic phenomena where many variables (including variables that are not quantifiable) are involved;"
• actual practices, including the details of significant activities that may be ordinary, unusual, or infrequent e.g. (changes in accounting regulation); and
• phenomena in which the context is crucial because the context affects the phenomena being studied (and where the phenomena may also interact with and influence its context)“.

MCSs are complex as they encompass diverse controls in a company from financial to cultural and also dynamic because MCSs evolve with the passing of time. For example the inclusion of nonfinancial performance measurements in MCS is usually attributed to Kaplan and Norton (1992). Before their paper, MCSs were mainly concerned with the financial performance of the firms. In this study the actual practices of the MCSs in the two Albanian mobile operators were explored and naturally the context of each MCS in each mobile operator was crucial. Thus, all three conditions put forth by Cooper and Morgan are true in this thesis, and therefore the case study methodology is appropriate for it.

There are two underlying reasons why multiple-case studies are used: (literal) replication and theory development or theoretical replication (Yin 2003 and Scapens 1990). The former is used when the cases are similar whereas the latter when they are dissimilar. In this study the two cases have both similarities, e.g. the companies compete in the same market by offering similar services, and dissimilarities, e.g. AMC is fourteen years old and has a market share of 40%, while Eagle only four years old and a market share of 20%. They were chosen as the former is the first entrant while the latter is a late one and also because of the willingness by employees and managers at this companies to take part in this study.

Case studies can be descriptive, explanatory, exploratory, illustrative and experimental (Collis and Husey 2009). As is the case with the research paradigms, case study types are not mutually exclusive and can be combined. Collis and Hussey (2009, p. 82) define descriptive, explanatory and exploratory case studies as follows: “descriptive case studies where the objective is restricted to describing current practice, explanatory case studies where existing theory is used to understand and explain what is happening and exploratory case where there are few theories or a deficient body of knowledge.” This thesis has characteristics of the first two case studies types mentioned above as first it describes the current practices of MCSs in the two Albanian mobile operators, and secondly it makes use of existing frameworks to understand what is happening. The two case-studies are not exploratory as extant theories on MCSs are abundant.

Like any other methodology the case study one has its advantages and strengths as well as disadvantages and weaknesses. Hägg and Hedlund (1979) in the context of management accounting hold that “many case studies are criticized for not providing any basis for generalization, even if it is recognized that they provide good description” and similarly Otley and Berry (1998), hold that findings from single organization studies lack generalizability, and that on the other hand that single-organization case studies demonstrate the deep complexity of accounting and control in organizations. This study does not lack generalizability as it explores two companies that make up for 60% of the mobile industry in Albania as opposed to only one, and at the same time benefits from the advantage of demonstrating deep complexity as each of the two companies is a case study in its own right.

In addition to Hägg and Hedlund (1979) and Otley and Berry (1998), Scapens (1990) mentions three problems with case studies, the first being the difficulty of drawing boundaries around the subject matter of the case. The remedy Scapens offers to this difficulty is by placing explicit limits to the area of study. In the delimitations section I have explicitly set the limits as to the MCSs of the two mobile operators, not including either the groups they belong to, or their supply chains. The second difficulty Scapens has identified is that of “researcher bias”, i.e. that the researcher is not independent of the social phenomena (in this case MCSs) being studied. Scapens suggests that a team of researchers involved in the case study would lower the researcher’s bias, while Mays and Pope (1995) argue that if a different researcher analyzes the qualitative and reaches the same conclusions, then this would ensure rigor or validity. Unfortunately, Scapens and Mays and Pope’s suggestions are not entirely possible as this thesis is an individual effort. On the other hand this thesis has been continuously reviewed by other student researchers and the thesis supervisors, so to some extent Scapens and Mays and Pope’s suggestions have been satisfied partially. The third difficulty is associated with the confidentiality of the information collected. To ensure no confidential information was disclosed unintentionally, the findings of this thesis were fed back to the people who provided the information on which the findings came from.

In addition to researcher bias Saunders et al. (2007) refer to interviewee or response bias which occurs when the interviewee does not want to discuss sensitive information or is not empowered to do so. To alleviate this problem, I made sure I elicited information that fell under the interviewee’s field of expertise and did not ask for sensitive information.

2.3 Data Collection

In this thesis, qualitative data were collected as they suited this research better. In addition, as many companies view their strategy, strategy implementation, management control systems, key performance indicators etc., as competitive advantages asking for quantitative data, could, even though not intentionally, compromise the firms’ competitive advantages. In a research where qualitative data should be gathered Collis and Hussey (2009) mention several techniques: interviews, critical incident technique, protocol analysis, repertory grid techniques, observation, grounded theory, and focus groups. To fulfill the aim of this thesis, i.e. exploring the
workings of the MCSs in use by the two companies, semi-structured interviews, where “the interviewer has a series of questions that are in the general form of an interview guide, but is able to vary the sequence of questions” (Bryman and Bell, 2007, p. 213), with people working at different hierarchical levels of the organizations (i.e. both managers and specialists were interviewed), was deemed the approach that fitted better. This interviewing method offers the flexibility to ask for more detailed responses, clarify them, while the structured interviews are more rigid and Saunders et al. (2007) argue that they are more appropriate for gathering quantitative data, and in fact call them quantitative research interviews whereas the semi-structured ones as qualitative research interviews.

The questions of the semi-structured interviews were mainly built upon the three MCS frameworks by Malmi and Brown (2008), Merchant and Van der Stede (2007) and Otley and Ferreira (2009) which are described in the Literature Review chapter and the complete questions asked to the interviewees are given in the Appendices. The other questions come from the author or other relevant studies. The composition of each interview was designed depending on the position held by the interviewee in the firm. For example interviews with people responsible with the strategy formulation of the company, naturally contained questions centered around strategy, mission and vision, whereas interviews with people responsible for the learning and development of employees contained questions centered around training and empowerment. Three interviews were held in each company. At AMC the HR Manager, the Recruiting Specialist and the Information Security & Fraud Prevention Manager while at Eagle the Strategy Manager, the HR Manager and the Budget and Control Supervisor were interviewed. Interviews lasted between half an hour up to one hour and were transcribed. Some data was collected from AMC’ Corporate Social Responsibility report of 2010 and Eagle’s code of conduct.

To ensure that each of the two mobile operators was examined in the same manner, the same interviews were asked to the people holding the same job or similar ones. For example Eagle has a Strategy Manager while AMC does not have such a designated manager but strategy is the responsibility of several key people, so questions on strategy were asked to two managers at AMC. Asking the exact same questions to staff in each of the two companies also makes it possible to compare the MCSs, thus making this study having features of a comparative case-study. Interviewing as an appropriate technique is also appropriate from the organizational behavior point of view as Carruthers (1995) argues that people in an organization behave according to their collective perception as opposed to individual perception of the “objective world”. By interviewing several key people in the two companies more light was shed on the collective objective world of MCSs.

2.4 Research Quality

Yin (2003) argues that the quality of case study research, one form of empirical social research, can be checked by four tests: construct validity, internal validity, external validity and reliability. The two case studies in this study are not exploratory or causal, thus internal validity is not applicable.
2.4.1 Construct Validity

As for the construct validity, i.e. “establishing correct operational measures for the concepts being studied” (Yin 2003, p. 34), I interviewed several key people at the companies, such as in the H.R., Strategy and Finance departments, whose fields of expertise sometimes overlap, i.e. using multiple sources of evidence which increases validity. On top of that, after the analysis was performed, the findings were reviewed by the key informants (interviewees) as suggested by Yin (2003). I truly believe the answers given by the interviewees have been as truthful to the reality as they can be, making this study highly valid; otherwise the study has low validity. Moreover, I believe that counting on major MCSs frameworks such as Otley and Ferreira’s (2009), Malmi and Brown’s (2008), and Merchant and Van der Stede’s (2007), who are considered experts in this field, should have led me to valid results and findings. In addition, according to Collis and Hussey (2009) validity is high under the interpretivism paradigm which I have used.

2.4.2 External Validity

External validity, also known as generalisability (Saunders et al., 2007, p. 151) is concerned with “establishing the domain to which a study’s findings can be generalized” (Yin 2003, p. 34). As mentioned earlier this thesis is composed of two case studies, so there is a replication logic which leads to the generalization of this study’s findings to about 60% of the mobile operator industry in Albania. But of course this study’s findings do not apply to other mobile industries (in the region), as each industry has its own specifics, and it is very unlikely to find a country with four mobile operators which have the same market share as the four operators in Albania and a similar number of subscribers.

2.4.3 Reliability

Yin (2003, p. 34) defines reliability as “demonstrating that the operations of a study – such as the data collection procedures – can be repeated with the same results”. Collis and Hussey (2009) argue that in interpretivist studies reliability is less important than in positivist ones. Reliability is moderate for two reasons: first of all if this study is repeated in the future many variables can change, so it is very unlikely to perform this study in the same conditions as when it was performed. The mobile industry in Albania can consist of more operators (new entrants) or less (companies that leave the industry). Second, even if it consists of the same four operators other variables can change, such as the market share of each company, the size of the organizations, the key employees interviews and most probably the MCSs of these firms will change as well. Thus it is improbable that were this study repeated, the same exact results to be achieved. In conclusion this interpretivist study, this thesis has moderate reliability and high validity.
3 Literature Review

This chapter provides the relevant literature review on MCSs, including their informal aspects, their evolution from feedback to double-loop systems, the linkage of strategy and MCS, the evolution of MCSs to PMSs and a discussion on the usefulness of MCSs in organizations. At the end of the chapter the three frameworks employed in this study, namely Object of Control by Merchant and Van der Stede (2007), Control Package by Malmi and Brown (2008) and Performance Management Systems by Otley and Ferreira (2009) are presented.

3.1 Management Control Systems

Merchant and Van der Stede (2007, p. xiii) point out that the term “management control system” has different meanings to different authors and thus that a precise definition is difficult to find, but nevertheless give a general definition: “MCSs are defined broadly to include everything managers do to help ensure that their organization’s strategies and plans are carried out or, if conditions warrant, that they are modified”. As the authors acknowledge themselves, this definition is broad. Similarly to Merchant and Van Der Stede (2007), Alvesson and Kärreman (2004, p. 424) acknowledge the various definitions of MCSs and then give a definition, which according to them most definitions seem to agree with, “that management control includes the exercise of power (influence) in order to secure sufficient resources, and mobilize and orchestrate individual and collective action towards (more or less) given ends”. In this thesis, MCSs should be assumed as per the latter definition, but also including the informal aspects of MCSs which are discussed in section 3.2. The reason for choosing Alvesson and Kärreman’s (2004) definition, plus the informal mechanisms of MCSs, is that it clearly and succinctly encompasses the major components of a MCS - the “exercise of power (influence)” captures the management’s role of influencing the employees actions towards the company’s (agreed upon) goals, the “resources” should be understood as human, physical resources and other resources, “mobilizing and orchestrating individual and collective action” captures the employee direction as well as the motivating aspect of management, and finally “given ends”, are what MCSs are ultimately about: making sure the company’s or organizational goals agreed upon, are achieved by the collective actions of the workforce.

3.2 Formal and Informal Aspects of MCSs

A distinction should be made as to what constitutes the formal and informal mechanisms of MCSs as there is much debate in the literature regarding this issue. Another influential definition of MCSs is that of Simons (1995, p. 5): “MCSs are the formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities”. Johansson et al. (2001) suggest that Simons (1990) excluded informal systems in his discussion of MCSs, whereas Machin (1983) included both formal and informal systems in MCS. Careneys (2010) holds that the current trend is to consider formal as well as informal systems in MCSs as part of the “control package”. Viewing MCSs as a package is attributed to Malmi and Brown (2008), even though they acknowledge that this idea has existed for over 30 years. In essence, their concept of MCS as a package is due to the fact that “MCSs do not
operate in isolation” (Malmi and Brown, 2008, p. 287) and thus analyzing the "traditional" components of a MCS such as financial measures, administrative, cultural controls, etc. would lead to incomplete conclusions. (A more detailed explanation of Malmi and Brown’s (2008) framework of MCS as a package is given in section 3.7.2).

Falkenberg and Herremans (1995, p. 134) building upon Ouchi (1980) and White (1980) distinguish the formal and informal systems in the context of MCS: "an informal system, in contrast to a formal system, does not control behaviour through explicit, verifiable measures. Rather, an informal system consists of shared values, beliefs, and traditions that guide the behaviour of group members (employees)”. In addition, according to Huikku (2007, p. 368) “discussions, meetings, observations and ad hoc analysis have been found by other researchers to be part of the informal systems”. In fact, Flamholtz (1983) mentions culture alongside structure as a component with which core control systems should be compatible with, while for Kunda cited in Alvesson and Kärreman (2004, p. 424) “culture replaces ‘structure’ as an organizing principle which is used to both explain and guide action”.

Cravens and Oliver (2006, p. 301) hold employees and organizational culture as components of MCSs when they claim that "strategies are implemented through the organization’s management control system, of which both employees and organizational culture are components”. Thus, the organization culture and informal aspects of MCSs have got much attention recently as crucial factors in the success or failure of strategy implementation and should not be neglected. Hence in this thesis the informal aspects of MCSs, as discussed above, are included in the definition of MCSs as the organizational culture, i.e. the shared values, beliefs and traditions, affect the way employees behave, which in turn is one of the MCSs’ considerations.

Lastly, Malmi and Brown (2008, p. 290) give this definition of MCSs: “management controls include all the devices and systems managers use to ensure that the behaviours and decisions of their employees are consistent with the organization’s objectives and strategies, but exclude pure decision-support systems. Any system, such as budgeting or a strategy scorecard can be categorised as a management control system. If these are complete systems, as opposed to a simple rule (for example not to travel in business class), then they should be called MCSs”, and in the same paper they address the "employee directing" aspect of MCSs, by giving this definition "those systems, rules, practices, values and other activities management put in place in order to direct employee behavior should be called management controls” (Ibid.). Of course, all definitions presented thus far are quite similar to one another. Malmi and Brown’s (2008) captures an important feature of MCSs – in their definition they distinguish MCSs from simple information and decision-support systems; in their view MCSs are complete systems, with clearly defined rules and procedures which help employees to align their behaviors and decisions with the organization’s goals. A brief discussion of the evolution of MCSs from purely informative systems to double-loop systems is given next.
3.3 Evolution of MCSs from Informative to Double-Loop Systems

Merchant and Van der Stede (2007) refer to a MCS as a cybernetic system with a single feedback loop, which similar to a thermostat, gives a signal when a process is not performing according to the desired standard, so that corrective action(s) can be taken to bring the process back to the desired standard or norm. As such a MCS is a reactive system. This “old, narrow, view” as they call it, refers to Anthony’s (1965) idea of MCSs, a very influential work on management control systems and considered by some as a classic (see Otley et al. 2003, Norman et al. 2010, Davila et al. 2007). Merchant and Van der Stede consider MCSs in their book to have a broader view, being a proactive system as well as a reactive one. The proactive aspect of MCSs can be traced back to Argyris (1977), where he talks about double-loop learning, which in essence means that it’s not enough to have only the feedback loop as it only gives information on how a process is performing, and not whether the norm set for it is the most optimal one. A double-loop MCS is able not only to detect errors but also to question the standards set, whether they are the “best” or not. If not, the second loop, or feed-forward, can help managers in an organization to change the strategy to a more up to date one. De Haas and Kleingeld (1999, p. 235), in discussing the feed-forward (double-loop) aspect of the control system, point out that “ideally, each group of organizational actors interacting in the strategic dialogue should accordingly question the validity of its control system design”, which brings us to the close link of MCSs and strategy, discussed in the next section.

3.4 Strategy and MCSs

According to Robbins and Coulter (2007, p. 208) strategy is defined as “decisions and actions that determine the long run performance of an organization”. Lynch (2006, p. 5) after admitting there are different definitions, defines corporate strategy as “the identification of the purpose of the organization and the plans and actions to achieve that purpose”. Porter (1996, p. 68) defines strategy as “the creation of a unique and valuable position, involving a different set of activities”. He then says that if there were only one ideal position there would be no need for strategy. Thus the concept, similar to that of MCSs, is abstract, and difficult to define. None of these definitions captures the meaning of strategy as succinctly as Govindarajan’s saying: “strategy is about shaping the future while managing the present” (Best of HBR, 2003, p. 111). It is clear that strategy and MCSs are intertwined, and that MCSs should be designed so they support the organization’s strategy. Today’s business environment is often described as turbulent and unstable, hence the organizations’ strategies are often adapting to the environment, the so called emergent as opposed to the prescriptive strategies, and MCSs should be flexible to accommodate these dynamic strategies. Unfortunately, the potential of management (accounting) control systems, “to formulate and implement changes in strategic direction” has been ignored by the extant body of research (Abernethy and Brownell, 1999, p. 190). According to Lynch (2006, p. 554) “the process of adopting a flexible, emergent strategy that monitors events, reacts to them and develops opportunities is at the heart of learning-based strategies”. In this sense rather than being traditional, old-fashioned, MCSs, if applied properly, could be contemporary tools which can help companies whose strategies are not fixed, but change with the environment and the threats and opportunities it brings about.
O’Connor et al. (2011) sustain that an appropriately designed MCS is required in order for the successful implementation of a firm’s strategy.

No matter how an organization comes up with a strategy or a few strategies, i.e. whether using the SWOT analysis, PESTEL, i.e. analyzing the environment and resources (financial, human, operations etc.), and no matter whether they are prescriptive or emergent, etc. they need to formulate and eventually implement them. Management control serves as a bridge between the implementation of an organisation’s strategy and the managerial and non-managerial staff of the organisation, which are the actual agents implementing (or not) the strategy.

3.5 Evolution to Performance Management Systems

MCSs are constantly evolving, and together with them the terminology itself. Otley (2003) holds that the term “performance management” is being used recently to address the same issues and concerns as management control. The trend in the last two decades in this field has been to view MCSs not as control systems in a “command and control” environment, usually associated with the traditional organization form, that of a hierarchical organization, the so called M-form, but rather as control, information and learning systems, which are more consistent with the flatter, organic organizations, organizations which Frow et al. (2005, p. 444) describe to have embraced the “facilitate and empower philosophy”.

While MCSs were useful for the industrial age, in the new information age, the classical mechanistic MCSs do not work fine. If employees are asked by their superiors to “leave their brains at the door”; or in Alvesson and Kärreman’s (2004, p. 425) words to ask from the employees “to do the prescribed thing with a minimum of effort and movement”, this mechanistic control would not lead to employee empowerment, and their valuable insight and suggestions would not be heeded. On the other hand this approach leads to the demotivation of the workforce, which in turn negatively affects their performance. In their study of a restaurant chain, Ahrens and Chapman (2004) found that processes of coercive formalization existed side by side with processes of enabling formalization. Thus, the challenge of MCS as being an enabler for employees, is in finding the right balance of (tight) control, one that does not stifle employees’ intelligence but at the same time does not give the employees the chance to waste the companies resources, to pursue their own personal goals.

Two of the most influential works, to address the shift from the industrial to the information age are Simons’ (1995) Levers of Control (LOC) and Kaplan and Norton’s (1992) Balanced Scorecard (BSC) framework. Simons’ (1995) framework consists of four components: diagnostic control, belief, boundary and interactive systems. The diagnostic control is the classical feedback one, designed to inform the managers if processes behave out of the specified standard, i.e. management by exception. Simons (1995) believes that they are not enough for the new business environment, where companies must rely on their employees being intrapreneurs in order for them to improve, and innovate, that is capitalize on the opportunities that may arise. The belief systems are derived by the company’s mission and vision and their core values. If the top management, “talks the talk and walks the walk”, this philosophy will cascade down
to the employees, otherwise it will not be credible. The boundary system is according to Widener (2007), the one which sets the limits within which employees are allowed to innovate. It is useful to have these limits as this ensures that the employees will innovate in an ethical way. If there were no limits, the employees could go too far and violate the rules. The interactive systems component means that the managers and their subordinates should have a two-way communication, so that ideas on improvements can be initiated bottom-up.

Lynch (2006, p. 617) explains that Kaplan and Norton’s BSC framework came as a result of two deficiencies in the implementation of many corporate strategic plans, the “measurement gap” and “the strategy gap between general plans and managerial actions”. The BSC has four main aspects: financial, customer, internal processes and learning and growth. The breakthrough in this model is that three fourth of this framework concern non-financial performance measures, which supports the belief that in the information age, in order for companies to sustain their competitive advantage, their main attention should be at attaining non-financial goals. If the company is customer-oriented, anticipates their needs, if it is able to innovate internal business processes, so they are done more efficiently and effectively, and lastly if its employees are developed and empowered and thus the organization is a “learning” one, then financial profits are bound to arrive. But if a company is only concerned with achieving financial goals, without paying attention to the other three aspects, then the company more often than not is bound to fail.

Lastly, the transition of the term from management control systems to performance management systems, is captured by Otley (2003, p. 315): “Although the central issue in management control can be seen as remaining the same, that is in helping ensure that an organization achieves its purposes, the way it is expressed has changed as the context within which organizations operate has changed. This is reflected in some changes in terminology that have also occurred in the last decade, most notably the use of the term performance management to reflect the same issues and concerns”.

3.6 Are MCSs Really Needed?

As is the case in many scientific debates, the usefulness of MCSs is controversial. From the literature research it seems that no one argues against MCSs, or some other form of control in organizations. The key question is how to properly design MCSs or their equivalent, so that all the stakeholders, as opposed to the shareholders only, benefit from them. For example, in a recent article Hamel (2011) makes a bold statement in titling his article “First, let’s fire all the managers”. In it, he explores a company whose organizational hierarchy is as flat as it can get, and there are no managers. This does not mean that there is no control in this company, but rather that that function is delegated to the employees who are literally empowered, and the MCS is highly replaced by self and cultural controls. This company with no managers has “freedom and flexibility” and at the same time “control and coordination of a tightly knit hierarchy” (Ibid., p. 51). So, even in this unorthodox organizational structure, control is important. Ahrens and Chapman (2004) refer to the flatter organizations as organic ones. They found that even in such organizations management control systems are useful and that “organic control structures yielded higher performance if used in
conjunction with formal control structures” (Ibid., p. 277). From Hamel (2011) and Ahrens and Chapman (2004) I can conclude that in the case of completely, literally flat companies, i.e. the ones without designated managers, MCSs are needed but they are at the hands of the employees, whereas in the traditional hierarchical organizations, they are seen as more formal controls, i.e. in the hands of traditional management, in other words by employees appointed to managerial roles, rather than employees empowered to have informal managerial roles as in the case of Hamel’s (2011) study.

Merchant holds that it is widely accepted that MCSs are important while Alvesson and Kärreman (2004), referring to management accounting, believe that MCSs are not only important but rather necessary and taking for granted that management accounting is ubiquitous and can be found in almost all organizations, it follows that at least the financial/accounting component of MCSs cannot be removed from them.

While it can generally be argued that MCSs, or some form of them, are needed in order for the managers and employees of an organization to act in line with the established strategy of that organization, some other authors have concluded that MCSs should not be taken as a package, applicable to all companies, but that customized MCSs work better than the latter. For example Sobotka and Platt’s (2010) found that one aspect of MCSs, that of the individual performance measurement, was neither needed nor applied in a company which distributes electricity in Northern Germany. Another aspect of MCSs is the financial planning and control, and typically this is done in companies by means of a budgeting process, which is a central issue to management accounting and has been recently criticized; for example Jensen (2001) says that corporate budgeting is a joke. While not going as far as to call budgeting a joke, Hope and Fraser (1997) question the usefulness of budgeting.

Ouchi (1979) is one of the authors who question the usefulness of MCSs when he says that management control systems can stifle innovation. Bisbe and Otley (2004) found weak evidence that MCSs and innovation are positively correlated in low-innovating firms, while in high-innovating ones, MCSs do not help in creativity and product innovation. Their findings suggest that in any case MCSs do not hinder innovation. Marissa Ann Mayer’s (Vice President of Google) saying that “creativity loves constraints” (Griffin 2007, p. 278), while not said in the context of MCS, still is relevant here; MCSs, or a similar manifestation of them, is necessary for an organization to, if not reach their goals completely, at least check how far from reaching them, this organization is. The apparent constraints of a MCS can have a positive effect in “enabling employees to search for opportunities and solve problems” (Mundy 2009, p. 499). Thus the benefits of MCSs are two-fold: employees are enabled, and their sense of responsibility and being helpful to the organization increases. This intrinsic motivation has been argued to have a positive effect on employees. On the other hand by being enabled the employees can be helpful in exploiting opportunities and avoiding possible threats and in general in improving decision making. This is supported by Cravens and Oliver (2006) who argue that management control encourages employee involvement.

The design of MCSs is very important. Ariely (2010) points out that persons (i.e. employees and managers) will always optimize their score in the metric they are
evaluated against. Thus it is of utmost importance that a MCS includes relevant metrics, which truthfully measure the performance of employees and managers against established organizational goals. In light of this, even though BSCs are controversial (see Norreklit 2000), I agree with their fundamental principle: MCSs should include non-financial performance measures, alongside financial ones.

### 3.7 Major MCSs Frameworks

Several frameworks have been introduced regarding MCSs. The following section will introduce the frameworks by Merchant and Van der Stede (2007), Malmi and Brown (2008) and Otley and Ferreira (2009) as I consider them to be the most comprehensive and momentous frameworks in MCS and for this reason, this thesis has drawn much from them to draw the empirical data and to analyze them.

#### 3.7.1 Object of Control Framework

Merchant and Van der Stede’s (2007) object of control framework consists of three components: results, actions and personnel/cultural controls. They explain the three components as follows:

- “Results controls are preventive-type controls that can address each of the major categories of control problems” (Ibid., p. 28).
- “Action controls take any of four basic forms: behavioral constraints, preaction reviews, action accountability, and redundancy” (Ibid., p. 76).
- “Three major methods of implementing personnel controls are through (1) selection and placement of employees, (2) training, and (3) job design and provision of necessary resources” (Ibid., p. 83).
- “Cultural controls are designed to encourage mutual monitoring; a powerful form of group pressure on individuals who deviate from group norms and values” (Ibid., p. 85).
Pay for performance is an example of results control, putting a limit to expenditures that a certain level manager an example action controls, having employees attend a training program an example of personnel control and an employee reporting an undesirable behavior by a colleague an example of cultural controls. In the interviews conducted as part of this study, all the above-mentioned forms of controls have been considered.

### 3.7.2 Control Package Framework

![Figure 5 Control Package Framework](source: Malmi and Brown (2008, p. 291))

The main components of Malmi and Brown’s (2008) control package framework (see Fig. 2) are cultural, cybernetic, administrative, planning and reward and compensation controls. Cultural controls include the values, beliefs and social norms. Planning builds upon Flamholtz (1985) ex ante form of control. It is concerned with setting the goals of the organization, providing the standards to be achieved in relation to the goals and congruence between these goals and the functional areas of the organization. Cybernetic control is similar to Anthony’s (1965) and it deals with targets that need to be met and the feedback process which compares results to standards. Reward and compensation, as the name implies, deals with attaching rewards for increasing the employees’ performance. Even though not mentioned I believe punishments in case of failure of meeting the targets are implied in this category of the framework. Administrative controls guide employees in desirable behavior mainly through policies and procedures.

From the figure it is obvious that this framework has more components than that of Merchant and Van der Stede (2007), but nevertheless there are some overarching elements. The cultural controls component is very similar to Merchant and Van der Stede’s personnel/cultural controls. Clans are used as per Ouchi’s (1979) idea where a clan means the employees of a certain unit in an organization and their beliefs and norms, i.e. culture. Values refer to the organization’s values, and symbols to informal controls of the “this is the way things are done here” type. In planning, we notice the long range and action planning. The former is about strategic planning and the latter about more short-term planning. Malmi and Brown (2008) themselves note that Merchant and Van der Stede (2007) put planning and budgeting under the umbrella of
financial results control systems. They disagree with them as “planning can be done with little reference to finance” (Malmi and Brown 2008, p. 291). Financial measurement systems are used as per Ittner and Larcker’s (1998) discussion. While the next component, that of non financial measurement systems sounds similar to the BSC’s non-financial perspective, actually are used as per Ittner and Larcker (1998) meaning, which is associated with competitor non-financial benchmarking. In fact, Malmi and Brown (2008) state that it is the hybrid measurement system which is very similar to the BSC. Reward and compensation is similar to Merchant and Van der Stede’s (2007) results controls where rewards are given for the accomplishment of goals, and punishment for the failure to do so.

The last component, that of administrative controls draws on Simons (1987), cited in Malmi and Brown (2008), and according to Malmi and Brown (2008, p. 292) “administrative control systems are those that direct employee behaviour through the organizing of individuals (organisation design and structure), the monitoring of behaviour and who employees are made accountable to for their behaviour (governance); and through the process of specifying how tasks or behaviours are to be performed or not performed (policies and procedures)”. Malmi and Brown’s (2007) and Merchant and Van der Stede’s (2008) frameworks are similar and both build upon other familiar works, but the former is more comprehensive than the latter on three counts: first, it has a more clear categorization of MCSs’ components and at the same time seems more inclusive of these components, secondly planning and budgets are separate components, and third cultural controls and administrative are separate entities and not combined as in Merchant and Van Der Stede’s (2007) framework.

3.7.3 Performance Management Systems Framework

The Performance Management Systems (PMS) (Otley and Ferreira 2009), builds upon Otley’s (1999) framework which consists of five areas: 1. identification of key organizational objectives, 2. formulation and implementation of strategies and plans, 3. performance targets setting, 4. reward systems, and 5. type of information flows. As the Otley and Ferreira point out, it represents a progression from Otley’s 5 ‘what’ questions to 10 ‘what’ and 2 ‘how’ questions. Succinctly, the ‘what’ questions have to do with 1. vision and mission, 2. key factors of success, 3. organizational structure, 4. strategies and plans, 5. key performance measures, 6. setting performance targets, 7. processes of performance evaluations, 8. financial and non-financial rewards 9. information flows and 10. information use. The two ‘how’ questions are cited below:
1. “How have the PMSs altered in the light of the change dynamics of the organization and its environment? Have the changes in PMSs design or use been made in a proactive or reactive manner?” (Otley and Ferreira 2009, p. 267)
2. “How strong and coherent are the links between the components of PMSs and the ways in which they are used (as denoted by the above 11 questions)?” (Ibid.)

Merchant and Van der Stede’s (2007) and Malmi and Brown (2008) frameworks, even though relevant and useful, are fragmentary and not as comprehensive as this framework. For example Merchant and Van der Stede’s (2007) does not explicitly account for strategy, while Malmi and Brown’s (2008) seems to not account for the information flows. On the other hand Otley and Ferreira (2009) have omitted organizational culture from their framework. They are aware of this and argue in their paper that this omission is due to the fact that organizational culture “pervades the entire control system” (Otley and Ferreira 2009, p. 267). Since none of the frameworks is “perfect” and each has its own merits, these three frameworks are seen as complementary to one another and all three are used.
4. Empirical Findings

As briefly mentioned in the Data Collection section, the empirical findings were drawn from interviews with managers and employees of AMC and Eagle, from AMC’s Corporate Responsibility Report (CSR) 2010 and Eagle’s Code of Conduct. More precisely, at AMC the HR manager, an HR specialist, the Information Security & Fraud Prevention manager were interviewed while at Eagle the HR manager, the Strategy manager and the Budget Control and Reporting supervisor so they could shed light on the MCSs’ components in their areas of expertise. For example, at AMC the performance measurement of employees was covered by the HR manager and the HR specialist, the strategy issues both by the HR manager and the Information Security & Fraud Prevention manager since AMC does not have a dedicated Strategy manager, whereas budgetary control by the Information Security & Fraud Prevention manager. At Eagle, the HR manager explained issues regarding performance measurement of employees, the Strategy manager those of strategy while the Budget supervisor budgetary controls. As can be noticed some issues are covered by more than one manager, as these are overlapping issues, for example strategy at both companies was covered by the four managers interviewed.

Each section contains respective information on AMC and Eagle in themes derived by the three frameworks presented in the Literature Review chapter. For example the organization structure and its relevance to MCSs is present in the Control Package framework and as well as in the PMS one, so they are presented under the same theme, namely “Organizational culture and structure”.

The empirical findings are presented as follows:

- 4.1 Performance measurement and rewards
- 4.2 Communication between junior and senior employees
- 4.3 Rules, values and practices used to guide employees behavior
- 4.4 Organizational culture and structure
- 4.5 Strategy and its translation to action
- 4.6 Mission and vision
- 4.7 Planning
- 4.8 MCSs and innovation
- 4.9 Balance of control
- 4.10 Action controls
- 4.11 Learning and growth
- 4.12 Financial/budgetary control
- 4.13 KSFs and KPIS
- 4.14 KPIs’ target setting
- 4.15 Information flows and its use

Table 2 lists all MCSs’ components of each of the three frameworks discussed in the Literature Review chapter covered by each section of the Empirical Findings.
Table 2  MCSs Frameworks and the Relevant Empirical Findings Sections

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<th>MCS Framework</th>
<th>Empirical Findings Section</th>
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The Appendices contain the full list of questions asked to all the people interviewed.

4.1 Performance Measurement and Rewards

4.1.1 AMC

According to Marinela Benga, HR specialist, at AMC performance is mainly measured on an individual basis but sometimes it is assessed on a team basis as well, e.g. when two or more employees work in a team to reach a common goal. She explained that there are three main measures for the individual performance measurement namely quality of work, quantity of work and the time taken to accomplish the preset objectives and each of the three objectives is measurable. Moreover, the CSR (2010, p. 42) states that “the performance of each employee is evaluated every year by his/her direct superior based on pre-defined objectives”. Benga gave two examples, one for measuring the quality of work of employees and the other one for measuring the quantity of work: in the call center, i.e. customer service, quality is periodically assessed by reviewing some phone calls previously recorded whereas the quantity of
The work of the employees of the sales department is measured on the number of new and retained customers. In addition, in the CSR (2010, p. 42) “The company uses a well-defined Performance Appraisal System, which is given in the Performance Appraisal Guidelines and is available to all employees through the company’s intranet”.

Benga added that rewards and salary adjustments are directly linked to the employees’ performance and that the needs that employees have for training and further professional development are identified from the employees’ performance measurement as well. “The performance and rewards system at AMC rewards the most talented and hardworking individuals as those who score the highest on the three components – quality of work, quantity of work and time taken to perform it, need hard work to do so. Merely performing one’s daily duties is not considered as hard work, but instead exceeding them is considered so” (Benga 2012, pers. comm., April 17).

Benga’s statement is in line with AMC’s CSR (2010, p. 16) which states that “At AMC we are sensitive to valuing and cultivating talent and hard work among our employees”.

Having the right social connections is not rewarded per se, but in certain departments it helps in getting a good score on performance, for example, Benga said that “the sales staff need social connections to keep and attract new customers” (Ibid.). According to Benga, seniority is rewarded in this way: those employees who have been working for ten years get 5 extra days off work per year, and those who have been working for fifteen get 10 days.

Financial rewards to employees are given if the company has performed well in that fiscal year. Besides the financial rewards, another form of reward is the promotion of employees, as Benga stated that “if an opportunity arises to promote an employee, depending on organizational changes in the structure, the performance of the last three years is considered” (Ibid.). Regarding the rewards of employees and managers the CSR (2010, p. 43) states that “in principle, AMC grants the same benefits to employees, with minor changes between management staff and non-management staff”.

### 4.1.2 Eagle

Irida Bonati, the HR manager, explained that the performance measurement system is based on the company’s objectives which are first translated into department objectives and then into individual objectives. Both kinds of objectives are linked to the company’s key performance indicators. This performance measurement system is used for both employees and managers but the latter are assessed on different criteria from the employees, as Bonati argued that “the managers are expected to have more leadership skills than the non-managerial staff. They are also evaluated based on KPIs and S.M.A.R.T objectives” (Bonati 2012, pers. comm., April 4). Bonati stated that the performance evaluation consists of two parts: 1. predefined criteria set by the H.R. department such as the quality of work, leadership skills, the employees’ attitude and good behavior at work and 2. how have the employees achieved their objectives.

Bonati claimed that rewards and other benefits for both the non-managerial and the managerial staff are based on their performance. “In addition, rewards are given to
employees who participate in successful projects, apart from their daily work. One incentive policy employed is that of the “employee of the month”, which as the name implies rewards the best employee of the month. The reward consists of half of the employee’s monthly salary, one extra day off, and a certificate signed by the CEO. This award is usually given to those who exceed work expectations. Another incentive policy is the “I have an idea” one which is more prestigious than the “employee of the month” one. This reward is given to those employees who introduce innovatory ideas, which positively affect the company’s financial profit. The employee who gets this reward gets a compensation of up to five monthly salaries” (Ibid.).

Bonati said that it is difficult and subjective to evaluate the social connections of the employees but she believes that they are important in certain departments, such as the Sales Department and technical departments which deal with governmental regulatory entities.

### 4.2 Communication between Junior and Senior Employees

#### 4.2.1 AMC

The AMC’s CSR report (2010, p. 16) claims that “at AMC, we cultivate open and transparent communication among all employees and at all levels”. In addition, Benga stated that communication between employees and their superiors is both formal and informal. Even in urgent situations, for example when an antenna is not functioning properly, she pointed out that “the responsible technician should notify the responsible superior or manager and there must be some document, electronic or hard copy to track the actions taken to rectify the problem” (Benga 2012, pers. comm., April 17).

Benga explained that when an employee first starts work, s/he is assigned a mentor who is a senior employee in the same department. The relationship between junior employees and senior ones including supervisors could be likened to one of master and apprentice as Benga pointed out “most of the supervisors and managers have started their career at AMC as specialists, and later have been promoted to supervisors or managers, thus they know the duties of the specialists in their units quite well and are able to coach the new specialists who join the company” (Ibid).

#### 4.2.2 Eagle

Bonati argued that communication at Eagle is both formal and informal. “The HR department insists that employees communicate formally via emails given that they are considered the official communication media. The formal communication is important because it is part of the work record. At the same time being close to the superior and having informal communication is regarded as necessary in succeeding at work. We stand out for having a low power distance” (Bonati 2012, pers. comm., April 4). The company’s Code of Conduct (COC) states that “the company strongly encourages the dialogue among employees and superiors and that “the supervisors/managers should make sure that their employees understand their responsibilities”.
Bonati explained that managers offer mentoring to their subordinates and in fact the managers' performance also depends on how much they transmit and share their experience with their subordinates and how much they encourage them.

**4.3 Rules, Values and Practices Used to Guide Employees’ Behaviors**

**4.3.1 AMC**

Benga explained that there are several documents that direct employees' behaviors such as the Albanian labor code, AMC's ethical code, employees' manual in which acceptable and unacceptable behaviors are specified in detail, the job description and lastly the labor legal contract between the employee and the employer. All these documents are designed to help employees align their actions with the organization's goals. She then added that individual objectives are set in accordance with the direction where the company wants to go, i.e. in accordance with the organizational objectives. Informal systems in guiding employees’ behaviors include “Deutsche Telekom’s idea of working eight hours per day, instead of being at work eight hours a day. This is an unwritten rule which is observed by new employees as soon as they start working at AMC” (Benga 2012, pers. comm., April 17). Benga, answered positively to the question whether the organizational culture affects the way employees behave.

**4.3.2 Eagle**

In Eagle’s COC, Orhan Coskun, the CEO of Eagle states the following: “In a company as big as ours there is need for rules an instructions which should be followed in order to avoid problems and misunderstandings that may come our during work relations”. Bonati claimed that the company has several core values such as being passionate about work and having integrity at work and that rules, regulations, practices exist for all jobs and they help all employees working towards a common goal which is the company's mission. ”The mission and vision of the company are set as wallpapers in each PC and the staff is expected to know them by heart” (Bonati 2012, pers. comm., April 4).

Bonati argued that there are informal systems which bring employees together and Eagle has created traditions. “The HR has created traditions through social activities. The Intranet and the photo galleries in it witness for having company traditions” (Ibid.).

Talking about the shared values of employees, Bonati stated that “at the HR department we strive to hold events and other activities which help the employees understand the values that we support. One of these values is teamwork. We must know our colleagues in person, as only through the formal communication, which we mentioned above, we cannot truly know them and cannot cooperate efficiently. Several training programs about teamwork have been held and all these events help the employees share the same values with one another” (Ibid.).
4.4 Organizational Culture and Structure

4.4.1 AMC

Biljana Nikolic, HR manager, claims that both the culture and structure are important in the formulation and implementation of strategy. “The structure is created so that employees with specific responsibilities have certain roles in it. Through the structure messages regarding the company’s strategy and its objectives are relayed - it is important in disseminating the company’s strategy to lower levels” (Nikolic 2012, pers. comm., April 17).

Regarding employee empowerment, AMC’s CSR (2010, p. 16) states that “At AMC we strive to foster a culture that empowers our team members to make significant progress in their professional lives and consequently become more effective contributors to the information and telecommunication industry in Albania”. In addition, Nikolic explained that the management at AMC wants to have empowered employees but control is needed as well since if employees are self-controlling as opposed to being controlled by superiors, the shareholders’ goals will not be pursued. “On the other hand the environment is not a command and control one. The rules policies, regulations and procedures give the employees a framework of control as opposed to mechanistic control. AMC is more hierarchical than flat, and we try to have a small hierarchy and flatten it out, which is shown by hundreds of cross-functional projects which take place at AMC every year. Besides control, another reason for not being completely flat is that employees look for opportunities and career growths, which are possible in hierarchical organizations but not in completely flat ones. But AMC is not overly hierarchical, meaning it is not only one person who takes decisions for all employees” (Nikolic 2012, pers. comm., April 17). With regard to career growth, the CSR (2010, p. 16) is consistent with Nikolic’s statements: “We are constantly striving to cross-train our best and brightest people for leadership management positions”.

Nikolic stated that strategy at AMC is formulated top-down, from the shareholders to the top management and it cannot be initiated bottom-up. “However, employees are encouraged to give their ideas and initiatives which can supplement the strategy. The specialists are helpful on the “how” aspect of strategy. For example, the top management of AMC sets the goal to sell thousands of iPhones in a certain fiscal year. The specialists, be they from marketing or technical departments, are very valuable in making a plan how to reach this goal and this in a way is a bottom up influence on strategy” (Nikolic 2012, pers. comm., April 17). When asked if at AMC, they follow the four perspectives of Kaplan and Norton’s BSC (1992), Nikolic answered that at AMC they do not necessarily follow this model but rather the aspects of strategy “come naturally”.

4.4.2 Eagle

Bonati claimed that Eagle is a traditional, hierarchical organization yet employees are empowered and that Eagle is less of a command and control organization especially since the power index is low. “The “I have an idea” reward witnesses to the fact that
employees are encouraged to express their ideas. But the hierarchy is there and its main role, i.e. that of the managers’, is for them to take decisions and give instructions to their employees” (Bonati 2012, pers. comm., April 4). Mehmet Zirek, Strategy Manager, claimed that employees’ voices are heard in the strategy formulation: “Employees of every level are involved in strategy determination process, through open communication by strategy department, innovative idea collection and opinion polls of HR. We do not define our strategies behind closed doors. We visit different staff from time to time get their view, make assessments and apply to our strategy” (Zirek 2012, pers. comm., April 3).

Bonati held that the organizational culture affects the way employees behave. “When a new employee joins Eagle, during the trial period, the employee is observing the company, so s/he is able to understand the way older employees behave and s/he is able to adapt her/his behavior. If s/he is unable to adjust her/his behaviors, then the problem rests with her/him. It is very difficult for one person to change the organization’s culture. The HR’s and senior management’s task is to have an organizational culture which is as positive as it can get” (Bonati 2012, pers. comm., April 4).

4.5 Strategy and its Translation to Action

4.5.1 AMC

Sonila Jano, Information Security and Fraud Prevention Manager, explained that there is a common sense and agreement among all managers on what the company strategy should be. “Regular meetings are organized in top management level, to define the strategy for the company in long terms (3 to 5 years). From this general strategy, specific tasks are defined per division/department during the present year. Regular review, usually in mid-year is performed, again in top management meetings, in order to analyze results and check if strategy and respective actions deriving from it have been successful so far. The strategy is prescriptive; the mission statement/goal remains the same. However, the actions can be changed during the year, based on unexpected business environment changes, market changes, regulatory changes that affect it” (Jano 2012, pers. comm., May 25).

“The specific goals which the company wants to achieve are derived from the high level statements i.e. the company’s strategy. For each goal, respective departments that are be involved in achieving these goals, consider their actions to perform the necessary changes in order to reach the goals. Since all management is present in strategy meetings, each of managers is clear where he/she is involved. After the goals are established, deeper analyses in department levels are performed, translating those in respective projects, actions, and changes needed to be done.” (Ibid.)

Jano argued that the MCSs are designed to support the strategy. “In any case if new changes are needed in (management control) systems, actions are initiated in operational plans to fix and cover all the business needs” (Ibid.). AMC’s strategy was identified as Analyzer as per Miles and Snow’s (1978) model by Ms. Jano.
4.5.2 Eagle

Zirek explained that there is an accepted view in senior management that Eagle has a clearly defined strategy, however not a 100% consensus is reached in what the strategy should be. i.e. from time to time there are different views of some managers which they are encouraged to share. "This is seen as a healthy process since this level of dissidence is keeping the strategy fresh and dynamic, preventing an inflexible dependence on static rules and formulas" (Zirek 2012, pers. comm., April 3).

Zirek claimed that the strategy was initially prescriptive, based on an ideal model, accompanied by a risk management approach in areas where the ideal model failed to describe the specific problems to be tackled. "Now we are in the process of turning strategy into a hybrid one, using our unique problem and goal set together with the best practices and solution options specific to our strategic needs" (Ibid.).

Zirek argued that strategy is turned into action using the BSC through a set of KPIs to be measured and also a set of initiatives which can be considered as strategic projects of the company. He explained that even though the main structure of Eagle’s BSC is that of Kaplan and Norton’s (1992) still it is customized to some extent, and although the customization is limited, it is nevertheless important. "For example we interpret the learning and growth perspective in a wider meaning. We take our telecom network as a learning entity through optimization and other activities just like humans and employees. The network is also the subject of learning and growth. Networks are more dynamic than pure physical networks. They, the networks, depend on population usage, traffic, etc. They are something more than dumb machines. Network management KPIs are taken as part of learning and growth perspective. Whereas other companies take learning and growth as pure HR perspective" (Ibid.).

Zirek argued that MCSs support the strategy at Eagle. “The main MCS being the BSC, receiving data from the financial and accounting systems, the budgeting and control and the HR ones shows that to some extent each system has its linkage with strategy” (Ibid.). Zirek identified Eagle’s strategy as 80% Prospector and 20% Analyzer as per Miles and Snow’s (1978) model.

4.6 Mission and Vision

4.6.1 AMC

Jano explained that the mission and vision of AMC are based on what AMC used to be, what it is at the present and what it can be in the future and the market impact as well. "The mission and vision are first presented to managers in the strategy meetings, where the mission statement is reviewed. All the managers’ opinions and views are valuable to estimate if we can reach what we define. After agreeing in what the company vision and strategy mission will be, during the analyses to translate it into actions together with department teams, the essence of the strategy is also relayed to
lower levels of the company. The mission and vision are also published in the company’s internet site” (Jano 2012, pers. comm., May 25).

Nikolic explained that there are several ways mission and vision cascade down to lower levels of employees as one way is not enough to align the strategy with the goals of the employees at the lower levels of the company. “Strategy is set at the top management as a reflection of the shareholders expectations from the company. It is usually once a year but it is frequently revised as the mobile communications market in Albania is very dynamic, i.e. the influences from the outside environment cannot be 100% predicted, and from time to time adjustments to strategy should be done” (Nikolic 2012, pers. comm., April 17).

Talking about the way strategy is translated into action Nikolic stated that “strategy is translated into department strategic goals which should be S.M.A.R.T. Another approach is through certain initiatives the organization takes. There are also the informal, or social ways of communicating strategy for example in social events where the CEO or someone from the HR department makes a speech. Other ways include the intranet and email communications or formal and informal meetings. All these ways are important so that strategy does not remain in paper but is translated into action instead” (Ibid.)

Nikolic then explained that care is taken that employees do not lose focus of the strategy and organization’s goals due to the daily duties. “There is always the need to have understanding between the various layers in the company. The message can start in one point and finish in a different shape and format, but it should not lose the meaning of what we really wanted to say. We have perfect specialists, but not every employee wants to be a leader or a manager. There are many specialists who do their daily work without knowing or wanting to know how their work fits in the company’s strategy, or what the total goal of the company is” (Ibid.).

4.6.2 Eagle

According to Zirek, Eagle’s mission is to combine technology and lifestyle to make customer’s life enriched and easier and their vision is to be the first choice in every house, office and pocket. “The strategy processes are defined in yearly workshops attended by the core strategy teams, managerial personnel and key employees inputting the general views of all stakeholders, and the results of these meetings are propagated to staff to ensure complete transparency. Also you can see the mission and vision of the company on the screens of the PCs of every employee; seeing them every day helps the employees to achieve maximum level of internalization” (Zirek 2012, pers. comm., April 3).

Zirek explained that mission and vision cascade down to the lower levels of the company through the 35 KPIs of different perspectives, roughly equally distributed to the four BSC perspectives which are connected to the corporate objectives.
4.7 Planning

4.7.1 AMC

Jano argued that there is a distinction between long range and action planning. “As already mentioned the strategy is designed in two forms, the first being the long term (3 to 5 years) and the second the short term (1 year). The short term planning is translated in operational plans in each department” (Jano 2012, pers. comm., May 25).

4.7.2 Eagle

Zirek stated that there is a clear distinction between long term and action (short-term) planning. “Long term planning is done less often whereas action planning more often. Long term planning involves a business plan of mostly financial KPIs while action planning involves KPIs of different perspectives. Long range planning as the term suggests contain more uncertainty and is controlled by higher management in collaboration with the investors. The clear distinction between long term planning and action planning is that long term planning is based on a business planning study by senior management and the shareholding company whereas action planning is based on monthly and yearly structured strategy follow-up meetings” (Zirek 2012, pers. comm., April 3).

4.8 MCSs and Innovation

4.8.1 AMC

Benga stated that the management control and the hierarchy do not encourage innovation among employees. “First of all having rules, policies and regulations there is little room for innovation. Also in order to change a policy or the way work is done, permission and approval from several superiors of higher levels should be taken, and this discourages employees to be innovative” (Benga 2012, pers. comm., April 17). Nikolic said that open idea boxes are being used for a couple of years, so employees can express their ideas and prizes are given as rewards. “Sometimes the management is convinced in a certain way how to reach the goals and the positioning of the company. What we work on at AMC is to be very open and discuss (with the employees). To change from hierarchical to a flatter on you need to build a relationship of trust” (Nikolic 2012, pers. comm., April 17).

According to Nikolic, the company did not have an intrapreneurial culture in the past and the top management is trying to change it into an intrapreneurial one. “Employees are encouraged to discuss their (innovatory) ideas with their supervisors or managers. Most of the ideas (roughly 70 percent) are rejected and this is not because they are not brilliant, but because the employees do not have the whole picture of the direction where the company wants to go or they do not know all the business risks associated with what seems like a brilliant idea. What the management should do more is to give detailed feedback to employees explaining why the idea was rejected. Even with the detailed feedback sometimes the employees get the idea that the company will not
accept innovation. It takes time to change this perception” (Ibid.). In the CSR (2010, p. 16) the following is stated regarding intrapreneurship: “We promote an open dialogue among all employees and favour innovative ideas that contribute to finding commonly accepted solutions”.

4.8.2 Eagle

According to Bonati the management does not stifle innovation, but on the contrary it encourages it throughout the company. “Our IT systems and applications do not stay the same as when they are first implemented; they are continuously customized due to the innovative input of the staff. Bonati added that the two initiatives “I have an idea” and “Employee of the month” are witnesses that at Eagle innovation is highly encouraged. The employees are given the chance to give innovatory ideas for the company.

Zirek also claimed that employees are encouraged to come up with new ideas regarding the company. “I go to employees, some managers, some not and look at what they do. I’m sure they do not leave their brains at the door. Employees are overcreative. They may lack professionalism and may be inexperienced as they start working quite young. We are here to transfer knowledge and culture in the company. We are very successful in doing this” (Zirek 2012, pers. comm., April 3).

4.9 Balance of Control

4.9.1 AMC

Nikolic claimed that it is hard to achieve the right balance of tight control. “Well-established processes that give very good results do not need creativity. But certain departments such as Products and Services Development and Marketing need to be creative. In the mobile operator industry it is not simply a phone which is being sold, but a package of voice, data communication, fun, news and other services. Even in the HR department there is room for creativity, e.g. how to have effective communication or how to give rewards when there is not a budget for them” (Nikolic 2012, pers. comm., April 17).

4.9.2 Eagle

Bonati argued that the balance of control is achieved by having highly qualified and ethical employees who find the right balance themselves. In addition, the managers check the daily work of their employees. Bonati gave an example of how the company avoids wasting its resources by employees for personal use. “Access to Facebook is forbidden for most of the employees. On the other hand the Marketing department uses Facebook to promote the company’s products” (Bonati 2012, pers. comm., April 4).
4.10 Action Controls

4.10.1 AMC

According to Benga physical constraints such as locks on desks, computer passwords access limits to areas where sensitive information is kept, are high. "Corridors are equipped with cameras, employees use access cards and there is a dedicated unit which deals with information leakage" (Benga 2012, pers. comm., April 17). As for administrative controls, Benga stated that each manager has a certain limit up to which s/he can spend without asking permission from higher levels. "If a specialist needs to purchase something she asks her manager, who asks the permission of the Purchasing manager. Then the CFO and the CEO must approve the expenditure. Duties are separated to avoid collusion of employees as well" (Ibid).

Nikolic stated that preaction reviews are used as well, especially when the actions involve financial expenses. "Proposed actions are revised by at least one or two managerial levels. For example the budget is first proposed, and then revised accordingly, whether there is enough or too much money and finally it is approved. Still it is revised again throughout the year. If something changes in the strategy, it should be reflected in the budget" (Nikolic 2012, pers. comm., April 17).

Action accountability is achieved through all the policies, rules and regulations. "There is no specific redundancy procedure. In case an employee leaves the company, the new employee who takes the position is trained by the direct supervisor and the other colleagues who are familiar with the work of the employee who leaves as this situation is similar to the one when the employee takes the yearly leave. The remaining employees know the main tasks, even not in detail, of the employee who takes the yearly leave" (Benga 2012, pers. comm., April 17).

4.10.2 Eagle

Bonati argued that behavior constraints and other action controls are used so that a safe environment and one where employees are held accountable for their actions is achieved. "Transparency is one of the values we promote, but it should not be misunderstood. We should be transparent up to the allowed level, i.e. up to where confidentiality begins. For example we should be transparent to our employees when we take decisions, showing them why a certain decision was taken and also to our clients when we show them our products" (Bonati 2012, pers. comm., April 4). Then Bonati explained the linkage between procedures, policies and transparency: "There are procedures and policies as we cannot be transparent to our employees and clients without them. If we don’t have a detailed policy, then one employee can be treated in a different way from another one while having procedures and policies for everything, we are fair and transparent to our employees" (Ibid.). Regarding administrative controls she explained that managers of different levels are allowed to approve expenditures of different amounts, i.e. those at lower levels smaller amounts than those at higher levels.
According to Bonati preaction reviews are used as well. Managers make many revisions and modifications prior to taking a decision or final action. Bonati explained that there is action accountability at Eagle: "we have steering committees for fraud issues. Managers from different departments are involved in these committees and they investigate the issue, if there is such an issue, until the accountable person is identified" (Ibid.).

"We make use of an ethical code in which it is explicitly stated that employees must respect the policies and procedures set by the company. In half a paragraph we show our employees that all the new policies we launch via email of the intranet must be followed. The ethical code is a summary of all the detailed policies" (Ibid.). According to the COC "company assets facilities or services must be used only for lawful and authorised purposes. It is strictly forbidden to use the company assets for personal benefits".

As for redundancy, Bonati explained that there is always a backup employee to replace an employee who takes the yearly leave or is absent for work for a short period, such as being sick, as it is impossible to train in one month the new employee who will take the place of the one who has left. "For crucial positions, where it takes almost six months for the new employee to be able to perform his/her work, as it takes time to get used with it especially since becoming familiar with the work record, i.e. all the documentation left by the previous employee, there is a succession plan, in which details are given how to cope with the vacancy created by personnel which leaves the company" (Bonati 2012, pers. comm., April 4).

4.11 Learning and Growth

4.11.1 AMC

Benga stated that considerable time is give to the selection and recruitment of new employees so the best candidates can be chosen. "The selection and recruitment of new employees is supported by very good computer applications. Job applications are posted in the internal intranet and on the web. Candidates are shortlisted due to their CVs, and then for certain vacancies, e.g. in accounting, written tests are used to test the candidate’s proficiency. No psychometric tests are used as the candidates’ mental abilities, their personality, and other skills such as communication and teamwork are tested during the job interviews. HR specialists and the future manager of the candidate are present at the job interview. Existing employees have priority in being hired for the new position if they meet the minimum requirements. There are training programs for employees who lack the desired level of expertise. As a matter of fact training starts since the employee first joins the company” (Benga 2012, pers. comm., April 17). In addition according to the CSR (2010, p. 42-43) there is a policy to fill the new openings internally, and “as a result of this policy within 2010, 18% of the jobs opening in the company were covered from within the company”. Regarding training, the CSR (2010, p. 43) states that “we aim to develop and train our employees, utilizing innovative training methods for maximum effectiveness. We have set up a system that the employee and their manager can define the areas where training is required".
4.11.2 Eagle

Bonati explained that the selection and recruitment process is lengthy in order for the best employees to be chosen, so the main investment in hiring employees is “time” by the HR staff and the line managers. “After the HR shortlists the candidates at least two managers interview the potential candidates. English proficiency is tested since English is the official language of the company. Personality tests are used as well” (Bonati 2012, pers. comm., April 4).

Bonati claimed that there are training programs at Eagle. “One of the areas of the performance measurement is “development areas” which show us the training needs of the employees so they have a better performance evaluation the next time” (Ibid.).

Talking about talent management and internal mobility Bonati said “we put the emphasis on internal mobility regarding talent management. It is the management which discovers the talents. If we think a talented employee is more useful in another position s/he is placed in that position, or is even promoted to a higher one. We want to improve talent management by having an assessment center where a committee evaluates all the talented individuals one by one” (Ibid.). Regarding cultural controls, Bonati held that there is group pressure and that mainly comes from the Albanian culture in general.

4.12 Financial/Budgetary control

4.12.1 AMC

Jano explained that AMC uses a yearly budget. Each department manager sends their capital and operational expenditures forecasted for the coming year to the Finance Department. “The forecasts are based on operational plans deriving from strategy, existing maintenance expenses, needs for trainings, so all the areas are considered”. These forecasts are revised several times from the Finance Department and the respective manager until an agreement is reached. After these revisions the budget is approved by the board of directors. “Since not everything can be forecasted correctly the budget is revised each month, and then according to the realizations, we make reallocations. We use the 5+7, 6+6, 7+5 budgeting” (Jano 2012, pers. comm., May 25).

4.12.2 Eagle

Bledar Mehmetaj, Budget Control and Reporting supervisor explained the budgeting process from initiation to the approval by the board of directors. “The budgeting process is initiated by the Budgeting unit which sends the forms in each department of the company at the beginning of the fiscal year. The responsible people should fill these forms with their forecasts of the investments/expenses and then forward them to the Budgeting unit. The unit analyzes the data and if they are OK they are sent to the CFO for approval. Then the approved first draft is sent back to the responsible departments for revision. The draft budget can be revised several times. After one or
more revisions it is approved by the board, and it is called the final budget, and it cannot be revised further. From this point on all revisions are called forecasts. The actual realizations are compared with the final budget at least monthly, and if needed more often. We use the SAP software to enter the financial data” (Mehmetaj 2012, pers. comm., May 20).

4.13 Key Factors for Success and KPIs

4.13.1 AMC

Jano explained that the key factors for success are identified after detailed analysis on the goals defined and actions needed to be taken in order to reach those goals. “Any company chooses and adapts its KSFs to the external environment and the internal capabilities of the company. Since the world is in recession, one of the key success factors is cost efficiency or being low-cost. We try to cut expenses in those areas which do not impact the company’s performance. For example now we have one centralized multifunctional printer for each floor, whereas in the past we had more than one. So we have cut costs in printing. But of course investments are needed to adapt to recent developments. For example the license of the 3G and its implementation were expensive, but 3G is a KFS so we bought the license anyhow” (Jano 2012, pers. comm., May 25).

Jano stated that at AMC, like in many other companies, KPIs are used to support the KSFs. “We do report KPI values in any profile of the company. Being part of an international group clear KPIs are defined, giving feedback on specific areas, for example we use KPIs in operations: systems and network, finance, fraud, almost every department has its KPIs” (Ibid.).

4.13.2 Eagle

Zirek argued that key organizational objectives and key factors for success are clearly identified. In a document provided by him, titled “Balanced Scorecards in Eagle Mobile” there are key success factors for each of the BSC’s four perspectives; for example brand recognition and network quality and performance are two KSFs. “The mission, vision and values are clearly linked to the four BSC perspectives, objectives and KPIs, as well as to other initiatives which support the company’s strategy” (Zirek 2012, pers. comm., April 3). Zirek gave the example of “employee satisfaction ratio” as a KPI used to measure the employees’ level of satisfaction for working at Eagle. Mr. Zirek added that at Eagle there are roughly 35 KPIs of different perspectives which are connected to corporate objectives. “The KPIs are roughly equally distributed on four perspectives. They are “balanced” as the term suggests. We do not consider financial KPIs as the most important ones. Financial KPIs are supported by other KPIs. For example the customer KPI “ARPU” is considered non financial but it is financial as well. It is a mixture of financial and non financial” (Ibid.).
4.14 KPIs’ Target Setting

4.14.1 AMC

As mentioned above, at AMC, each unit, sector, department and so on has its own KPIs. Jano stated that the KPIs are mainly established by the group but some of them are local depending on the AMC’s local strategy and capabilities. “For example the KPI of network availability at AMC is over 99.7%, given our network capabilities” (Jano 2012, pers. comm., May 25). Jano explained that KPIs levels are reported monthly. “For example for the Billing department one KPI is that of the CDR rejects which should be lower than a certain percentage for that department to be successful” (Ibid.). Jano claimed that the more KPIs the better, but it's not possible to convert all objectives to numerical KPIs. Regarding the target setting, she stated “KPIs are decided in reasonable levels compared to the market conditions. They are generally are achievable and realistic. If the KPIs are existing ones they are also compared with the previous years and always the targets are set higher where the higher the KPI the better. For example, in the first years the market share was 100%. Then Vodafone, Eagle and Plus entered the market. The market share KPI could not be to have 100% market share anymore, so it was adjusted accordingly” (Jano 2012, pers. comm., May 25).

4.14.2 Eagle

Zirek explained the process of setting targets to the KPIs. “Ex-ante form of control is reached by giving pre-determined targets for KPIs, measuring their performances and taking measures ranging from increasing or decreasing resources allocated for initiatives and operational units, to adjusting weights of or creating new KPIs as well as starting new initiatives or stopping existing ones” (Zirek 2012, pers. comm., April 3). He illustrated the necessary adjustments to one of the KPIs, the ARPU one. “We are aiming to reach a sales figure or some service. We give a target and start an initiative to reach it. We notice the sales figure is beyond the target we do not want to ‘overachieve’ the KPI so we decrease the allocated resources and dedicate them to other KPIs for efficiency purposes. For example, the service was sold cheap and the revenues were low. ARPU was not showing the real performance of the company. It was showing the demand of the public for a cheap service. So we dedicated more resources to corporate revenues” (Ibid).

4.15 Information Flow and its Use

4.15.1 AMC

Information flows are used in almost each function of the company such as in Accounting, Finance, Procurement, Logistics, IT, Warehouses, Sales and the H.R. “We use the information to get feedback how successful or not we are, what is missing and where are the gaps so we can improve the processes. The information from the various control mechanisms is used by operating, middle and top management. The information is both feedback, to correct actions which do not go as planned, and
feedforward as well" (Jano 2012, pers. comm., May 25). Jano explained how they use the feedforward information to learn from experience: “perhaps the specialist has followed the established procedures and still the process has failed. In this case we have to review the procedure and update it accordingly. E.g. in the Fraud Department foreigners buy postpaid cards and then when abroad they are involved in fraud by making many phone calls to hotlines and then do not pay the bills. From these fraudulent cases, we have learnt that the AMC representative where the customer signs the contract should be more careful and check all the documents, and e.g. that the signature is not fake. Also there must be a limit for roaming to new customers for a period of time and that the calls duration information from the foreign operators arrive in a shorter timeframe; currently it comes in a couple of hours but should be less” (Ibid.).

4.15.2 Eagle

At Eagle the SAP ERP and e-mail communications are used as well for the information flows. Regarding the use of the PMS, Zirek explained the following: “Mostly but not always managers use the BSC system. Initiatives are carried out by project managers. Sometimes project managers are not managers but experts in the field. To use the BSC you must have a higher managerial view of corporate strategy. Data sources come mostly from non managers from specific units. Users in terms of providing data are non managers. Initiatives are not necessarily from managers but project managers” (Zirek 2012, pers. comm., April 3).

Talking about the use of information coming from the different components of the PMS at Eagle, Zirek explained that the H.R. reports on Performance Appraisal System (PAS), the Network division reports on network’s performance and the Strategy group compiles and reports on the BSC system.
5. Analysis of the Findings

This chapter contains the analysis of the qualitative data gathered in the previous chapter. The data were analyzed in light of the three frameworks presented: Object of Control, Control Package and Performance Management Systems. AMC and Eagle have hierarchical management, which secures sufficient financial, human and other resources and mobilizes individual and collective action through performance appraisal systems and other systems, towards given ends, which are the companies’ goals deriving from their strategies. Hence it is obvious that both mobile operators make use of MCSs. Thus, the question to the answer “Are MCSs needed?” put forth in the Literature Review chapter, is answered positively by both operators.

The organizational structures at both companies facilitate the MCSs as per the definition used in this thesis, plus the informal controls. AMC and Eagle have hierarchical organizational structures with managers of different levels which are presented in the figures below.

Figure 7  AMC’s Organizational Structure
Source: AMC’s CSR (2010, p. 9)
The features of the MCSs of both companies are explored in the following sections as per the three frameworks presented in the Literature Review chapter.

5.1 Object of Control

5.1.1 Results Controls

Both AMC and Eagle have pay for performance models and thus it can be argued that these two organizations are meritocracies. They measure the performance of managerial and non-managerial staff on well-defined, measurable objectives, which are linked to the companies’ objectives. The performance appraisal is mainly individual, but since both companies have projects based on teams, teamwork is evaluated as well. Employees’ and managers’ financial compensation are directly linked to their performance assessment, but the criteria to assess the employees is slightly different from those of managers in the two companies. In both companies the managers are expected to have good communication skills and more leadership skills than the specialists. One difference in rewards is that AMC applies non-monetary ones, such as more extra days off for senior employees. It is possible that Eagle does not apply these kinds of rewards yet, as it is only 4 years old, while AMC is 16 years old. Both companies give rewards, if any, according to the companies’ financial performance during that fiscal year.

Social connections seem to not be important inside the companies. AMC and Eagle try to reward the most hard-working employees through their performance evaluations.
Social connections are important for staff which has business relations outside the company, for example the Sales staff at AMC and Eagle and the Technical Department which has contacts with governmental regulatory entities.

Employee empowerment is encouraged at both mobile operators, but we cannot speak of pure empowerment, where employees “take those actions they believe will best produce the desired results” (Merchant and Van der Stede 2007, p. 25). The HR manager of AMC argued that control is needed as self-controlling employees would not pursue the shareholders’ goals, while the HR manager of Eagle pointed out that it is the managers who take the decisions (and not the employees). On the other hand the empirical findings show that the two operators do not have pure command and control environments. Hence we can say that these two operators have partially empowered employees. However, at Eagle the employees are more empowered than at AMC because as the Strategy manager pointed out Eagle’s employees are part of the strategy formulation process (bottom-up) while at AMC strategy comes top-down.

Merchant and Van der Stede (2007, p. 27-28) define management by objectives (MBO) as “a process whereby the superior and subordinate managers of an organization jointly identify common goals, define each employee’s major areas of responsibilities in terms of the results expected of them, and use these measures as guides for operating the unit and assessing the contribution of each of its members”. The findings suggest that AMC and Eagle follow the MBO approach which reinforces the idea that results controls are being used in these two companies.

The budgets constitute the financial results control systems at both companies and are discussed more in length in section 5.2.1

Table 3 Results Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>RESULTS CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay for performance</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Individual evaluation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Team evaluation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Different evaluation of managers and employees</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rewards dependent on company’s financial</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social connections</td>
<td>Important outside the company</td>
<td>Important outside the company</td>
</tr>
<tr>
<td>Employee empowerment</td>
<td>Moderate</td>
<td>Moderate to High</td>
</tr>
<tr>
<td>MBO</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Financial controls</td>
<td>Budgets</td>
<td>Budgets</td>
</tr>
</tbody>
</table>

5.1.2 Action Controls

AMC and Eagle make use of a high degree of action controls. They both have physical constraints (locks on desks, computer passwords, access cards etc.), administrative controls (managers of different levels have different levels of expenditures they can approve), preaction reviews (many revisions are made before taking the final decision), action accountability and behavior constraints (rules, procedures, policies are in place).
The difference between the two companies lays in the redundancy of employees. AMC does not have a specific redundancy procedure in the case when an employee leaves the company. The new employee who takes the vacant position is trained by the direct supervisor and the other employees who are part of the same unit or team. Eagle, on the other hand has a detailed succession plan for crucial positions, in which it is stated how to cope with the vacancy created.

Table 4  Action Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>ACTION CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical constraints</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Administrative controls</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Preaction reviews</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Action accountability</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Behavior constraints</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Redundancy for vacant positions</td>
<td>No specific procedure</td>
<td>Yes, for crucial positions</td>
</tr>
</tbody>
</table>

5.1.3 Personnel Controls

Merchant and Van der Stede (2007) claim that selection and placement of employees, training, and job design and provision of necessary resources are the three major methods of personnel controls. AMC and Eagle invest a lot of time in the selection and recruitment of employees. This lengthy process is needed so the best employees can be chosen for the vacant position. In both companies training needs are identified via the performance evaluation of employees and there are training programs to help employees develop themselves further professionally.

Regarding talent management neither of the companies has well-defined procedures, but at Eagle the HR manager stated that they are thinking of creating an assessment center for talents in the near future. Nevertheless both companies put emphasis on internal mobility of the employees, so if they themselves or the management think they can perform better in other positions, they can easily be moved to those positions, at least the HR policies and procedures facilitate it.

According to Benga (2012, pers. comm., April 17), at AMC jobs are designed so that employees have a high probability of success not only inside AMC but even after they have left the company, whereas at Eagle, Bonati (2012, pers. comm., April 4) held that jobs designs need revisions.
Table 5 Personnel Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>PERSONNEL CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection and recruitment</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Training</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Talent management</td>
<td>No</td>
<td>No; thinking of implementing in the near future</td>
</tr>
<tr>
<td>Job design</td>
<td>Yes</td>
<td>Need revisions</td>
</tr>
<tr>
<td>Internal mobility</td>
<td>Possible</td>
<td>Possible</td>
</tr>
</tbody>
</table>

5.1.4 Cultural Controls

According to Merchant and Van der Stede (2007), there are several ways cultural controls can be implemented in organizations, e.g. through codes of conducts, group rewards, physical arrangements, employee rotation, etc. Both AMC and Eagle have codes of conducts and group rewards are given for major projects. There is no dress code for employees and managers working at the headquarters, but there is one for the people working in the shops. Internal mobility is encouraged at both companies, and together with the events and parties organized by the companies, they help transmit the company’s culture to the employees.

Table 6 Personnel Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>CULTURAL CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Codes of conduct</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Group rewards</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Dress code</td>
<td>Not at the HQ, only in the shops</td>
<td>Not at the HQ, only in the shops</td>
</tr>
<tr>
<td>Internal mobility</td>
<td>Possible</td>
<td>Possible</td>
</tr>
<tr>
<td>Socialization</td>
<td>Events, Parties</td>
<td>Events, Parties</td>
</tr>
</tbody>
</table>

5.2 Control Package

5.2.1 Planning Controls

Planning in AMC and Eagle has both approaches suggested by Malmi and Brown (2008), i.e. action planning (up to one year) and long-range planning which is a more strategic one. The goals for both action and long-range planning are clearly defined in AMC and Eagle. Each division, department, unit, etc. has goals which are aligned with the strategy, since they are derived from it. Operational or action planning has a clear link to finance. For example at Eagle, each month the realizations or not of the budget are compared with the budget. At AMC a similar process is followed and if the realizations are less than those forecasted in the budget, reallocations of resources is done following the 7+5, 6+6, 7+5 approach. Moreover in each company, at the end of the fiscal year, a thorough review is performed, to see the actual realizations versus the forecasts.
Table 7  Planning Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>PLANNING CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long range planning</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Action planning</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Realization of budgets/reallocation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.2 Cybernetic Controls

Budgets are used as the main tool for financial controls. They possess the five characteristics of cybernetic control mentioned by Malmi and Brown (2008), i.e. there are measures to quantify activities, targets to be met, a feedback process to compare the results with the targets (variance analysis) and lastly modifications based on this variance. The same five characteristics appear in the employees’ performance evaluation. For example the training needs in both companies emerge from the analysis of the realization of not of the targets set to the employees. On the other hand, if the employees have exceeded these targets they are rewarded accordingly. The same cybernetic control is applied to the KPIs of the companies.

Eagle uses what Malmi and Brown (2008) call a hybrid system given that they apply the BSC model even though it is customized to fit Eagle’s needs. At AMC they also use non-financial measures but this is not structured according to a well-known model such as the BSC, but according to Nikolic (2012, pers. comm., April 17) the financial and non-financial perspectives at AMC “come naturally”.

Table 8  Cybernetic Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>CYBERNETIC CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgets</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>KPIs</td>
<td>Yes,</td>
<td>Yes</td>
</tr>
<tr>
<td>Hybrid systems</td>
<td>Yes (No well-known model)</td>
<td>Yes (BSC)</td>
</tr>
</tbody>
</table>

5.2.3 Reward and Compensation Controls

As mentioned in section 5.1.1 both AMC and Eagle have pay for performance models, resulting in them being meritocracies. Moreover, the performance evaluation of managerial and non-managerial staff is based on goals which are linked to the companies’ objectives and the key performance indicators. Thus goal congruence or alignment between the employees’ and managers’ goals and those of their organization is achieved. The monetary incentives to the employees and managers at AMC are aligned with the financial performance of the company. If the company performs well, the employees and managers get financial rewards, otherwise not. This incentive should make the employees work in such a way that their actions help the company achieve good financial results. This is in line with Bonne and Sprinkle’s (2002) study in which “they argued that monetary incentives increase effort and performance through focusing individuals efforts on the task” (Malmi and Brown, 2008,
Malmi and Brown (2008, p. 293) state that “the linking of effort to the task can impact on performance in three ways: effort direction, i.e. the tasks individuals focus on; effort duration, i.e. how long individuals devote themselves to the task; and effort intensity, i.e. the amount of attention individuals devote to the task”. From the empirical findings it is obvious that the two companies focus on effort direction and duration but there is not enough information regarding the effort intensity.

Table 9  Reward and Compensation Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>REWARD AND COMPENSATION CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay for performance</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rewards based on financial performance of the company</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Effort direction</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Effort duration</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Effort intensity</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

5.2.4 Administrative Controls

The three main components of administrative controls as per Malmi and Brown (2008) are the organization design and structure, governance structures in the firm and procedures and policies. In both companies the structures are clear and they contain divisions, departments and units according to the functions in the company, thus they are hierarchies. Regarding the governance structures both AMC and Eagle have clear lines of authority and accountability due to the hierarchy. Even in ad hoc structures, such as project teams, the lines of authority and accountability are clear in both companies.

AMC and Eagle make use of a multitude of rules, policies and procedures in order to identify the accepted and unaccepted behaviors of their employees and managers. Among the policies used by both companies are the Albanian labour code, codes of conduct, employees manuals, job descriptions, job contracts, etc.

Table 10  Administrative Controls at AMC and Eagle

<table>
<thead>
<tr>
<th>ADMINISTRATIVE CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation structure</td>
<td>Hierarchical</td>
<td>Hierarchical</td>
</tr>
<tr>
<td>Governance structure</td>
<td>Clear lines of authority/accountability</td>
<td>Clear lines of authority/accountability</td>
</tr>
<tr>
<td>Procedure and policies</td>
<td>Detailed</td>
<td>Detailed</td>
</tr>
</tbody>
</table>
5.2.5 Cultural Controls

In both companies organizational culture is an important control mechanism as it affects the employees' behaviors. The values, beliefs and norms are clear in both companies. They constitute the informal controls which guide the employees. Sometimes they are unwritten rules, as in the case of AMC where the motto is “to work eight hours a day, instead of just being at work for eight hours”, or written as in the case of Eagle where being passionate about the job and working with integrity are explicitly written in the code of conduct. The shared values are reinforced through social activities and events where the CEO or another top manager makes a speech, but also because these socialization events foster the culture of belonging to the company and even creating company traditions.

According to Malmi and Brown (2008) Simons (1994) considers mission and vision statements as belief systems which are one of the three aspects of cultural controls. In the empirical findings it is obvious that both AMC and Eagle have clearly defined mission and vision statements. These two statements together with the values, belief norms etc. are examples of values which “are explicated and employees behave in accord with them, even if they do not adhere to them personally” (Malmi and Brown, 2008, p 294).

From my observation, symbol based controls are low at AMC and moderate at Eagle. Neither requires the employees to wear uniforms at the headquarters, but there is a dress code for the shop representatives. The latter has open plan offices which enhances communication, while the former does not have such offices. Lastly, Malmi and Brown (2008, p. 295) hold that “training can also be included in cultural controls as training can be seen as a way of managing organisational culture.” Training was dealt with in section 5.1.3.

<table>
<thead>
<tr>
<th>CULTURAL CONTROLS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal controls</td>
<td>Yes. E.g. &quot;8 hours of work, instead of 8 hours of being at work&quot;</td>
<td>Yes. E.g. Having integrity at work and being passionate about work</td>
</tr>
<tr>
<td>Shared values</td>
<td>Reinforced through social events</td>
<td>Reinforced through social events</td>
</tr>
<tr>
<td>Mission and vision</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Symbol based</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>Training</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Open office plans</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.3 Performance Management Systems

5.3.1 Vision and Mission

In section 5.2.5 it is already mentioned that both companies have clearly defined mission and vision statements. Eagle’s mission is “to combine technology and lifestyle to make customer’s life enriched and easier” while the vision is “to be the first choice in
AMC’s mission is “a long-term effort to offer our customers the most innovative, effective and reliable means of mobile communications possible” (AMC CSR 2006) while the vision “to sustain leadership in market share and profitability”, “enhance voice usage, stimulate VAS and increase the percentage of revenues”, etc. (AMC’s CSR, 2006). The companies have multiple objectives to reach internally regarding business processes and the workforce, and externally regarding the customers and the environment. Thus “performance becomes a multi-dimensional concept for which no single overriding measure is adequate” (Otley 2009, p. 267).

The mission and vision statements, i.e. the organization’s values, goals, purposes are established in different ways in the two companies. At AMC this process is top-down, i.e. from the shareholders, to the top management, then relayed to the other managers and employees. At Eagle this process is bottom-up: employees are asked about the direction of the company, but of course the management is involved as well.

One of the mechanisms to convey the mission and vision to the employees of the two organizations is through the performance evaluation systems. In both companies the individual objectives are linked to the company’s objectives thus the performance evaluation system helps to transmit the mission and vision to those employees who are not part of the strategy formulation process.

At AMC the two statements are presented to managers in strategy meetings and on top of that the managers are actually involved in reviewing the statements. There are several ways the two statements are conveyed to the lower levels: converting the company’s strategy to department strategic goals, individual objectives, social events where management staff hold speeches, communications through the intranet and other informal meetings. At Eagle the managers are as well involved in setting the strategy and mission vision. In addition key employees are involved. To propagate the two statements they are set as wallpapers in the PCs of the employees. Those employees who do not have PCs are acquainted with the mission and vision from their supervisors and through posters. To convert the mission and vision statements in more tangible goals the KPIs are used in both companies.

5.3.2 Key Success Factors

Key success factors are clearly identified in both companies and directly linked to the strategy, mission and vision. In both companies all managers take place in the strategy formulation process. In addition at Eagle even the specialists opinions are taken into account. Hence since the managers are involved they are aware of the key success factors derived from the strategies. Those employees not involved in the strategy formulation process come to know the key success factors through the KPIs for which their unit is responsible for. At AMC one of the KSFs ate the moment is to be “low-cost”. One of the ways the non-managerial staff becomes aware of this KSF is for example through printing. In the past at AMC many printers were used in one floor. Nowadays only one printer per floor is used, and each employee has a username and password so that the number of pages is accounted for. At Eagle one of the KSFs is to increase employee satisfaction and productivity. There are three direct KPIs linked to
this KSF, respectively the training period of employees, employee retention and recruitment. Also employee satisfaction surveys are used. These actions witness that employees and managers are aware of KSFs and the KPIs.

5.3.3 Organization Structure

The organization structures of AMC and Eagle resemble very much those of bureaucracies. They are centralized organizations with clear lines of authority and vertical controls and detailed rules, policies and procedures for almost any activity, from selection and recruitment of employees to the termination of work relations. According to Johnson et al. cited in Otley and Ferreira (2009, p.270) configuration “consists of the structures, processes and relationships through which the organization operates”. In this sense the structures are a mixture between the multidivisional and the team based, given that there are many projects based on teams from different units. Supervision is done by the superiors, operational planning by department managers, and long-range planning by the top management.

5.3.4 Strategies and Plans

In both companies there is consensus on the respective strategies by the management. But shorter-term strategies are not prescriptive in the classical sense, they are more dynamic and are reviewed regularly by top management depending on the market conditions, regulatory changes etc. AMC’s strategy is identified as analyzer, i.e. “hybrid”, where the “core of traditional products, enters new market after viability established, matrix structure” (Miles and Snow, 1978). Eagle’s strategy is 80% prospector, i.e. “always seeking new product and market opportunities, uncertain environment, flexible structure” (Ibid.) and 20% analyzer. As mentioned previously at AMC the strategy follows a top-down approach whereas at Eagle a bottom-up one. In reaching the goals derived from strategies both companies have flexible approach. The H.R. manager at AMC mentioned that they need to be flexible, for example how to give benefits to employees when the budget has not provisioned for them, or at Eagle the network is considered as a dynamic learning system, rather than a static one and the network’s KPIs are adjusted accordingly.

5.3.5 Key Performance Measures

Each of the two companies has clear KPIs derived from the KSFs, objectives and strategy, thus having alignment between the latter and the KPIS. The KPIs are set for each unit at the companies. At AMC some of the KPIs are established by the group (Cosmote and Deutsche Telekom) and some are local depending on the local capabilities. Similarly at Eagle the group’s (Calik) experience is taken into account when setting the KPIs. Eagle has 35 KPIs, (9 of which are financial), that is 10 more than the recommendation of Kaplan and Norton (Otley and Ferreira 2009, p. 271). Both companies use non-financial KPIs such as customer retention. Eagle uses strategy maps to link the KPIs, initiatives and strategy.
5.3.6 Target Setting

At AMC the targets for KPIs are set taking into account the levels of the KPIs in the previous fiscal year, as well as the market changes since the last fiscal year. The targets are higher than the previous year, and achievable not challenging. Jano (2012, pers. comm., May 25) explained that if the KPIs are reached then the responsible person for them has done a good job, as opposed to exceeding it. Similarly at Eagle the KPIs are set based on the expected achievements. Mehmetaj (2012, pers. comm., May 20) explained that the KPIs’ targets are not set low as these easily achievable targets would only lead to short-term good results, while the company should go for long-term sustainable results. He added that there are several factors taken into consideration such as the market, the company, the country’s economy.

5.3.7 Performance Evaluation

As mentioned in section 5.1.1 the performance of employees and managers is measured and evaluated at the two companies under consideration. Individual as well as group evaluations take place. For example both companies assess the skills of employees to work in teams. At Eagle, so much emphasis is put on teamwork that it even appears on the COC: “It is expected that all employees increase the teamwork and the collaboration within the colleagues and superiors during jobs and projects”. Evaluation is mainly objective as opposed to subjective as it is based on tangible measurable objectives. The evaluation of business units is done based on the KPIs for that unit. Also if some members of the unit have taken part in various projects, their performance in the projects impacts the unit’s performance.

5.3.8 Reward Systems

As discussed in section 5.2.3 rewards at both companies include both monetary and non-monetary ones. Examples of monetary rewards include financial bonuses whereas examples of non-monetary rewards include promotion, extra days off, certificates signed by the CEO. Penalties and negative “rewards” exist in both companies. For example at AMC, if poor performance is repeated, the employee gets a written warning. Group rewards are used when the employees are involved in projects and the financial bonus is commensurate to the project’s importance and has to be approved by the management staff, i.e. it is not given “automatically”. At Eagle group rewards are given, only if the group has completed a project of great significance which has affected tremendously the company’s profits.

According to Otley and Ferreira (2009) the relative performance evaluations (RPEs) are practices “where the performance of an individual or entity is measured in relation to that of another” and have attracted increased attention recently. RPEs are not used in either of the two companies.

5.3.9 Information Flows, Systems and Networks

Information flows are of feedback and feedforward type in both companies. The exchange of information is facilitated by email communications and ERP systems; both
companies use SAP. The information is used in almost all departments including, Accounting, Finance, Procurement, Logistics, Warehouses, Sales, HR etc. Feedback information is used when things don’t go as planned. For example a KPI, has a certain target. In both companies the actual values are reported at least monthly, and if needed more often. If the reported values are less or more than the target this information is a signal that things are not going as planned. Thus this information helps the responsible people to detect and correct the error. Apart from the feedback type, information is used also as a double-loop learning, which enables the companies to not only detect and correct errors, i.e. “firefighting”, but also to learn from the experience and improve the processes, even change the strategy if needed. The example of fraud while customers are in roaming (abroad) and the measures taken “to anticipate future events and respond in advance of their occurrence” (Otley and Ferreira 2009, p. 273) testifies that feedforward learning is being used at AMC, as well as the ARPU example at Eagle.

5.3.10 PMSs Use

The information gathered from the PMS is used intensively by the middle and top managers at both companies. The information as explained above is both feedback and feedforward, hence its use is for diagnostic reasons as well as interactive use. According to Otley and Ferreira (2009) Broadbent and Laughlin (2007) mention two uses of the PMSs, the “transactional” and “relational” ones. From the data gathered the use at AMC and Eagle is more of the “transactional” type given the explanation by Otley and Ferreira (2009, p. 275) that “the transactional use of a PMS has a high level of specification of ends to achieve (e.g. through performance measures, targets etc.) as well often a clear specification of the means needed to achieve these defined ends”.

Table 12  PMS Framework at AMC and Eagle

<table>
<thead>
<tr>
<th>PMS FRAMEWORK COMPONENTS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Vision and mission</td>
<td>• Clearly defined &lt;br&gt; • Top-down process &lt;br&gt; • Organisational goals linked to department, unit and individual goals &lt;br&gt; • Cascaded through the goals, performance evaluation system, KPIs, social events, intranet, e-mail, etc.</td>
<td>• Clearly Defined &lt;br&gt; • Bottom-up Process &lt;br&gt; • Organisational goals linked to department, unit and individual goals &lt;br&gt; • Cascaded through the goals, performance evaluation system, KPIs, social events, intranet, e-mail, etc. &lt;br&gt; • Vision and mission are set as wallpapers in all the PCs of the staff</td>
</tr>
<tr>
<td>PMS FRAMEWORK COMPONENTS</td>
<td>AMC</td>
<td>EAGLE</td>
</tr>
<tr>
<td>--------------------------</td>
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<td>-------</td>
</tr>
</tbody>
</table>
| 2. Key success factors   | - Clearly identified and linked to strategy, vision and mission  
- Managers involved in strategy formulation and KSFs  
- Employees learn the KSFs from managers and through the KPIs  
- E.g. of KSF: “low cost” | - Clearly identified and linked to strategy, vision and mission  
- Both managers and employees involved in strategy formulation and KSFs  
- Employees not involved in strategy formulation learn the KSFs from managers and through the KPIs  
- E.g. of KSF: “employee satisfaction” |
| 3. Organization structure | - Centralized organisation  
- Multidivisional and team based  
- Vertical controls | - Centralized organisation  
- Multidivisional and team based  
- Vertical controls |
| 4. Strategies and plans  | - Top-down process  
- “Analyzer” as per the Miles and Snow (1978) model  
- Flexible approach | - Bottom-up process  
- 80% prospector 20% analyzer as per the Miles and Snow (1978) model  
- Flexible approach |
| 5. Key performance measures | - KPIs derived from KSFs  
- Some established by the parent company, some local  
- Financial and non-financial KPIs | - KPIs derived from KSFs  
- Some established by the parent company, some local  
- Financial and non-financial KPIs  
- Uses strategy maps |
| 6. Target setting        | - KPIs’ targets based on previous years, market changes  
- Achievable KPIs | - KPIs’ targets based on the company itself, the market and Albania’s economy  
- Not easily achievable KPIs |
| 7. Performance evaluation| - Individual and group evaluation  
- Mainly objective  
- Business units evaluated on KPIs | - Individual and group evaluation  
- Mainly objective  
- Business units evaluated on KPIs |
| 8. Reward systems (also see Table 10) | - Monetary and non-monetary (e.g. promotions, extra days off)  
- Group rewards for important projects  
- No RPEs | - Monetary and non-monetary (e.g. award certificate signed by CEO)  
- Group rewards for important projects  
- No RPEs |
| 9. Information flows, systems and networks | - Feedback  
- Feedforward  
- Facilitated by emails, intranet and ERPs | - Feedback  
- Feedforward  
- Facilitated by emails, intranet and ERPs |
<table>
<thead>
<tr>
<th>PMS FRAMEWORK COMPONENTS</th>
<th>AMC</th>
<th>EAGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. PMSs use</td>
<td>• Intensive use by management</td>
<td>• Intensive use by management</td>
</tr>
<tr>
<td></td>
<td>• Transactional (as per Broadbent and</td>
<td>• Transactional (as per Broadbent and</td>
</tr>
<tr>
<td>11. PMSs change</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>12. Strength and</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>coherence</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. Final Remarks

This last chapter draws the conclusions of this study, discusses its academic significance, limitations and suggestions for further research which can be built upon this thesis.

6.1 Conclusions

The aim of this thesis was to understand the components of the MCSs in use in two Albanian mobile operators (AMC and Eagle), out of four operators in total at the time of this writing.

To answer the first research question, three frameworks were used: Object of Control by Merchant and Van Der Stede (2007), Control Package by Malmi and Brown (2008) and Performance Management Systems by Otley and Ferreira (2009). Even though there are some overlaps among the three frameworks, each framework has its own perspective and provided a different insight on the MCSs components.

The MCSs at AMC and Eagle include all four types of control as per Merchant and Van der Stede’s (2007) framework, that is, results, action, personnel and cultural controls. Results controls are present at both companies and the performance measurement (which is mainly individual in both companies, and only in major projects which have real impact on the companies are group rewards given) and the budgets are two examples of such controls. AMC and Eagle have pretty well-defined action controls via numerous rules and regulations. Personnel controls are mainly exercised through selection and placement, where each of the companies devotes considerable time and the recruiting process is lengthy, while cultural controls through codes of conduct, group rewards and socialization among employees at various events and parties organized by the companies.

As already mentioned, there are some overlaps between Merchant and Van der Stede’s (2007) and Malmi and Brown’s (2008) framework, hence I will mention only the components which do not appear in the former framework: in Planning Controls both companies make use of long range and action planning and in Cybernetic Controls they make use of KPIs, performance evaluation and budgets, in contrast to Jensen (2001), (see section 3.6), who calls the budgeting process as a joke.

Otley and Ferreira’s (2009) framework’s 10 “what” questions apply to both companies. Each of them has clear identified vision and mission and key success factors which are derived from mission and vision, and the strategy; the organizational structures are hierarchies so that control can be exercised top-down; the companies have strategies and plans for the near future and the distant one; key performance measures/KPIs are extensively used to measure both the financial and the non-financial performance; mainly realistic and achievable targets are set to measure the KPIs; the performance evaluation and rewards systems are mainly individual with minor differences between the managerial and non-managerial staff; information flows are clear and facilitated by the IT infrastructure, such as SAP and e-mail communications; the MCSs/PMSs are
used to get both feedback and feedforward communication making the organizations “learning” ones.

The second research question was to explore whether the two companies use well-known models or customized ones. To answer this question, no particular framework was necessary and the answer, which was provided to me by managerial staff at the two companies, is that AMC uses a customized MCS, not based on any of the well-known models, whereas Eagle uses the BSC model, but customized to fit the company’s needs.

By analyzing the data gathered using the three above mentioned frameworks, the purpose of the thesis, which concerns the alignment (or not) of the MCSs and the respective strategies of the companies was reached: it is clear that all the measures are taken to ensure that the MCSs make sure that employees and managers work towards the companies’ goals so that the companies’ strategies are translated into action. Examples include the performance evaluation systems, the rewards and compensation systems, learning and growth, the budgets, etc. In addition, from the analysis it is clear that both companies, even though they can not be labeled as mechanistic companies of the command and control type, as employee empowerment is encouraged by the management, yet they are “traditional” companies with clear lines of authority and not flat organization structures.

6.2 Academic Significance

At the time of this writing, there is a very limited body of knowledge on MCSs in Albanian companies. Thus, this master thesis contributes to the knowledge of MCSs in Albanian companies in general, and the Albanian mobile operators industry in particular.

In addition to that, this study has contributed academically by employing three MCSs’ frameworks in the data analysis, showing that all three frameworks are valid to be used to explore the MCSs of companies with similar characteristics of AMC and Eagle. Frameworks are usually built upon one another, and it is expected that they are complete. However, I believe that this study has shown, that even though there are many overlaps among the three frameworks, as they deal with the same subject, still there are some aspects which are not covered by all three frameworks. For example, KPIs are present in Otley and Ferreira’s (2009) framework, but not explicitly mentioned in that of Malmi and Brown’s (2008). In some cases the titles of the MCSs’ components are the same but they mean different things in the different frameworks. For example, the selection of employees belongs to the Personnel Controls in Merchant and Van der Stede’s framework, while Malmi and Brown (2008) deliberately have placed it under Cultural Controls; see Malmi and Brown (2008, p. 295). On the other hand, Otley and Ferreira’s (2009) framework does not include Cultural Controls explicitly, but rather implicitly. The above comments show that a “universal” framework on MCSs, commonly accepted by everyone, is yet to be developed.
6.3 Limitations and Suggestions for Further Research

Otley and Ferreira’s (2009) last two questions, nr. 11 and 12 could not be answered. They require more data on the MCSs/PMSs in both companies. A researcher can better grasp the answers to these two questions as an intern in the two companies, by having more time at his/her disposal or by being able to interview the CEOs of the two companies.

A researcher, using the same or similar methodology as in this thesis, can investigate the other mobile operators (two at the moment namely Vodafone and Plus), and together with this thesis a complete research study on the MCSs in use in the Albanian mobile industry would come as a result. MCSs are abstract and it is difficult to get the full picture by simply interviewing staff who are involved in the design and the use of the MCSs. My suggestion is that the researcher who wants to build upon this work, spends more time at the company, (e.g. as an intern as mentioned above).

Moreover, it would be interesting to investigate whether there is a correlation between the age of the operator (market entry) and the “tightness” of the management control system, as well as whether the MCSs in use by AMC and Eagle are at par with those employed by mobile operators in the Western world. Lastly the researcher can explore the relationship between the MCSs’ components and their counterparts in the MCSs used by the parent companies of both AMC and Eagle; in other words it would be interesting to investigate to what extent the axiom ‘think globally, play locally’ applies to these two companies.
Appendices

Appendix A - List of Interviewees

<table>
<thead>
<tr>
<th>NAME AND SURNAME</th>
<th>JOB POSITION</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irida Bonati</td>
<td>H.R. Manager</td>
<td>Eagle Mobile</td>
</tr>
<tr>
<td>Mehmet Zirek</td>
<td>Strategy Manager</td>
<td>Eagle Mobile</td>
</tr>
<tr>
<td>Bledar Mehmetaj</td>
<td>Budget and Control Supervisor</td>
<td>Eagle Mobile</td>
</tr>
<tr>
<td>Biljana Nikolic</td>
<td>H.R. Manager</td>
<td>AMC</td>
</tr>
<tr>
<td>Sonila Jano</td>
<td>Information Security &amp; Fraud Prevention Manager</td>
<td>AMC</td>
</tr>
<tr>
<td>Marinela Benga</td>
<td>H.R. Specialist</td>
<td>AMC</td>
</tr>
</tbody>
</table>
Appendix B - Interview questions asked to the H.R. Managers

1. How is the employees’ performance measured/evaluated? Is it on an individual or team (division) basis, both, or no measurement at all? Is it objective? How is the managers’ performance measured?

2. Are employees/managers rewarded (punished) based on the achievement (or not) of performance measures or on other factors?

3. Are the rewards given to the most talented and hardest working employees (how is this measured), rather than those with the longest tenure (or the right social connections)? Or is it a combination of the two?

4. What kind of monetary and non-monetary rewards do you apply?

5. Is the communication between employees and their superiors open and informal or formal (with excessive reporting)?

6. Do superiors offer coaching and mentoring to their subordinates, i.e. like in a master and apprentice relationship or are they more distant?

7. What systems, rules values, practices and other managerial activities are used to direct employees’ behaviors?

8. Do they help employees to align their behaviors and decisions with the organization's goals?

9. Are there any informal systems which consist of shared values, beliefs, and traditions that guide the behaviour of group members (employees)?

10. Do you think the organizational culture and structure are important in the formulation and implementation of strategy?

11. a) Is the culture such that the employees are empowered or is the environment a “command-and-control” one? In other words is your company a traditional (hierarchical) organization, the so called M-form, or rather a flatter (organic) one?

b) Is the organizational culture such that strategy can be initiated bottom-up as opposed to the “mechanistic” top-down approach? In other words are the employees involved in the formulation of strategies or only the managers?

12. Does the organizational culture affect the way employees behave?

13. How are the organization’s mission and vision cascaded down to employees?

14. Can your employees be called intrapreneurs?

15. Do you think management control (systems) can stifle innovation?
16. How is the right balance of (tight) control achieved, one that does not stifle employees' intelligence but at the same time does not give the employees the chance to waste the company's resources, to pursue their own personal goals?

17. What action controls are used at your company?

18. Do you devote considerable time and effort to employee selection and placement, to find the right people?

19. Are there any training programs?

20. Do you think that jobs are designed so that motivated and qualified employees have a high probability of success?

21. Are employees encouraged to discover and develop their talents and to get placed into jobs in which they will be able to perform well? Is it easy to change the position in the company if an employee thinks s/he will fit better to the new position?

22. Are there any cultural controls (group pressure on individuals who deviate from group norms and values)?
Appendix C - Interview questions asked to the Strategy Manager at Eagle, the H.R. Manager at AMC and the Information Security & Fraud Prevention Manager at AMC

1. Is there a consensus in the senior (top) management for the strategy of your company, that is, is the strategy clear cut or different managers have different ideas on what the strategy of this company is?

2. Is the strategy prescriptive or emergent (adapting)?

3. How is strategy “translated” into action?

4. What is the vision and mission of the organization and how is this brought to the attention of managers and employees? What mechanisms, processes, and networks are used to convey the organization’s overarching purposes and objectives to its members?

5. Are the key organizational objectives and key factors for success clearly identified?

6. Does your company use KPIs?

7. How is Planning as per Flamholtz (1985) definition as an ex ante form of control (it is concerned with setting the goals of the organization, providing the standards to be achieved in relation to the goal and goal congruence between these goals and the functional areas of the organization) achieved?

8. Is there a distinction between Long Range Planning and Action Planning?

9. Is the performance management system (PMS) a “template” model such as Kaplan and Norton’s BSC or is it a customized one?

10. What performance measurement system is used? Is it as old as the company? If not what has changed since the implementation of the PM system? Any tangible (economic) benefits?

11. To which hierarchical level are the measures applied, lower levels (individuals, teams) or higher levels (business units, departments) etc?

12. What are the contents of these PM systems? Are they as per the BSC i.e. financial and non-financial (customer, internal processes and learning) or similar?

13. Who uses that system, i.e. the reports on performance? What are the types of information flows?

14. Are the performance measures linked with the company’s strategy, i.e. are these measures derived from strategy?
15. How have the PMSs altered in the light of the change dynamics of the organization and its environment, if at all?

16. Are targets set for the performance measures and are managers held accountable for them (management by objectives); is there cybernetic control as per Anthony’s definition?

17. Are managers rewarded (punished) based on the achievement (or not) of those measures?

18. Does your company use a yearly budgeting system? If not how is the financial control process done?

19. Which archetype best describes your company’s strategy as per the Miles and Snow Model?

Table 13  Miles and Snow’s (1978) Model

<table>
<thead>
<tr>
<th>IDENTIFIED ARCHETYPES</th>
<th>FEATURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defender</td>
<td>Stable environment, limited product range, competes through low cost or high quality, efficiency paramount, centralized structure.</td>
</tr>
<tr>
<td>Prospector</td>
<td>Always seeking new product and market opportunities, uncertain environment, flexible structure.</td>
</tr>
<tr>
<td>Analyzer</td>
<td>Hybrid. Core of traditional products, enters new market after viability established, matrix structure.</td>
</tr>
<tr>
<td>Reactor</td>
<td>Lacks coherent strategy, structure inappropriate to purpose, misses opportunities, unsuccessful.</td>
</tr>
</tbody>
</table>

Source: Simons (1990, p. 130)
Appendix D - Interview questions asked to the Information Security & Fraud Prevention Manager at AMC and the Budget Control and Reporting Supervisor at Eagle

1. How is the budgeting process initiated?

2. Which managers or other employees are involved in the budgeting process? How many meetings are needed on average before the final approval of the budget?

3. Is the budget approved by the board of directors?

4. After the final approval, is each manager, unit supervisor etc. aware of the budget entries/targets to be achieved?

5. Can the budget change after it has been approved? Are there any official revisions during the fiscal year?

6. How often do you report on the realizations or not of the budget?

7. Do you have any nonfinancial KPIs in the budget?

8. Do you use SAP or similar ERP software to draw financial data?

9. Is short-termism discouraged? If yes, how is that achieved?
References


