Management Control Systems & Performance Measurement Systems in Hybrid Organizations: The case of The Swedish Municipal Housing Corporations

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Coursecode: FE6203, Master Thesis
To my sweethearts Rosalinda, Alice, and Jasmine. Your dad is always proud of you, I hope you are too. And on top of that to my lovely wife Laila. Would not have made it without you guys. You are the best. God bless you!

Thank You!

Kristianstad, June 2018
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List of Abbreviations

MC: Management Control.
MCS: Management Control System.
MCSs: Management Control Systems.
PMS: Management Control System.
PMSs: Performance Management System.
MA: Management Accounting.
MHC: Municipal Housing Corporation.
MHCs: Municipal Housing Corporations.
MKB: Malmö Kommuns bolag Fastighets.
LKF: Lunds Kommuns Fastighets.
BSC: Balance Scorecard.
ERP: Enterprise Resource Planning.
SOEs: State Owned Enterprises.
TMT: Top Management Team.
PI: Performance Information.
ERP: Enterprise Resources Planning.
MA: Management Accounting.
Abstract

Municipal housing companies (MHCs) can be seen as hybrid organizations, operating under multiple institutional logics that are likely in tension with each other. Measuring the performance of hybrid organizations is a much harder exercise than measuring the performance of pure public or pure private entities. There is a lack of research in this area. To fill this gap van Helden and Reichard’s (2016a) proposed a framework that assigns typical characteristics to PMS in hybrids. The authors call for empirics to test the framework. Accordingly, the first purpose of the thesis is to test the hypotheses of this framework in practice, using a case study approach of two MHCs, MKB AB and LKF AB. The second purpose is to shed light on challenges, conflicts and even propose solutions for MCS/PMS. The thesis ended up by proposing a conceptual model for MCS/PMS that aims to reconcile conflicting goals and logics. The model integrates strategic management control tools (BSC and ERP) to support strategy implementation and formulation as well as to reconcile the different interests of the various stakeholders.
Summary

Background and Problem:
While we have a growing number of literature on hybrids and another large body of literature dealing with PMS (performance management systems) and MCSs (management control systems), we still have very limited research on MCSs & PMS in hybrid organizations. This thesis connects the broad theme of MCSs & PMS with the special case of hybrids. Drawing on Argento et al. (2016) framework, one can argue that municipal housing corporations (MHCs) are hybrids because they are being managed as business-like organizations operating under conditions of financial independence (commercial logic), yet public housing is not freely managed but are constrained by accountability and citizen expectations since MHCs were basically established to serve the public interest and fulfil their social mission (social logic), additionally they should comply with laws and regulations, plans prepared by local, regional, and national and EU bodies (compliance logic). The potential tension and confusion over the different goals is problematic as it makes measuring the performance of hybrids very challenging. How the design and use of PMSs and MCSs can handle this potential conflict and, at the same time, increase effectiveness.

This is the main theme of the thesis

Purpose:
This thesis contributes to strength the link between research traditions of hybrid organizations and MCS/PMS. The aim of the thesis is twofold:

- First, to test the framework of van Helden and Reichard’s (2016a) in which the authors argue that a PMS of a hybrid organization is typically characterized by the following features
- Second, to analyze the MCS and PMS in the chosen companies to understand the linkage with strategy, highlighting such areas that need improvement and, if deemed necessary, propose a conceptual model for MCS/PMS to overcome the problems that I identify.

Research questions:
- Are the characteristics of PMS in the chosen companies consistent with the framework of van Helden and Reichard’s (2016a)? similarities and differences?
- What are the weakness in the MCSs and PMSs in these companies and how they can tackle the potential conflict among the multiple logics, and, at the same time, increase effectiveness?

Methodology:
The research is based on a case study design in which detailed and intensive analysis of two companies have conducted, namely, Malmö Kommuns bolag (MKB) Fastighets AB and Lunds Kommuns Fastighets (LKF) AB, in order to understand the complexity of MCS and PMS in public sector hybrids. A qualitative approach is used throughout the paper. The study, in a sense, relies on a mixed reasoning (deductive and inductive i.e. abductive) to serve the twofold purpose. Primary data is collected through three semi-structured interviews with a business controller and a strategic advisor to the CEO at MKB as well as the CFO/head accountant at LKF. The results were complemented with secondary data such as companies’ official websites, annual reports, and internal documents.

Findings:
For the first purpose of the thesis, the framework of van Helden and Reichard’s (2016a) consists of a number of propositions that have been tested. the findings, to a large extent, do not support the propositions in the framework. Only a support for proposition two was found, otherwise, the remaining propositions either were only partly supported or partly rejected, or the results were diffuse.

Analysis:
The lack of non-financial measures in the PMS for both companies played a big role while testing the assumptions of Helden and Reichard’s (2016a). MCS in both companies based on result controls, in the light of budget system, both use accounting-based measures to evaluate performance. Exclusive reliance on financial measures is problematic because it weakens the linkage between PMS and strategy and does not serve the multiple goals stemming from multiple institutional logics. Hence, proposing a conceptual model for MCS/PMS deemed necessary
Conceptual Model:
The model is based on the framework of Malmi and Brown (2008), where cybernetic controls were updated, replacing traditional accounting techniques (financial measurements, non-financial measurements and hybrid measurements) with strategic management control tools (BSC and ERP) while retaining the budget. BSC will be integrated with budget as the latter will be used on the tactical level while the former will be used on the strategic level. The model is contingent to some key factors that have been discussed such as strategy and structure.

Conclusion:
Both of the chosen companies have multiple goals, both financial and non-financial, that are linked to their strategies. However, the absence of non-financial measures supported and integrated by accounting information systems put strategy implementation on risk. Put simply, we have strategic goals in both companies but we do not have measures integrated in PMSs. The potential tension and confusion over the different goals can lead to decoupling as organizations may ceremonially endorse practices prescribed by social logic while actually implementing mechanisms promoted by business logic. There is a need for an effective MCS that guides the behaviors of both managers and employees to achieve goal congruence and maximize customer value on the one side, while being able to address multiple institutional logics on the other side. Public-sector hybrids need strategic PMSs that can assist organizations in effectively implementing strategies and in measuring organizational performance. This balanced multi-dimensional approach can support hybrids in measuring outcomes (social benefits), besides outputs (economic performance).

Future research:
Given that we have very limited empirics that have addressed the questions, how organizations cope with the continuing presence and demands of multiple logics and what the implications for MCS/PMS design and use. Further research is highly recommended, among other things to test the proposed conceptual model, for example through empirical case study. This is a limitation in the current study due to the limited timeframe. Likewise, the framework of van Helden and Reichard’s (2016a) needs to be tested through more case studies. Another proposal for future research can be comparative case studies of a larger number of MHCs or between a number of private housing companies and MHCs. This will contribute to bridge the gap in literature since there is a lack of empirics done to deal with performance measurement and management in hybrids.

Keywords:
Hybrids, MHCs, business logic, social logic, MCSs, PMSs, strategy, control package, BSC, ERP, van Helden and Reichard’s (2016a)
CHAPTER I: Introduction

On 1 January 2011, a new law of public utility applicable to municipal housing companies (MHCs) came into force mainly to ensure the compliance with EU regulations of free competition. On one hand, the new legislation has had major implications for MHCs. Among other things, MHCs have been required to adopt business-like principles. On the other hand, the new legislation has had even major implications for municipalities as owners for MHCs. After the new legislation, most of municipalities have set out a various of demands that MHCs should meet such as specific return on equity and profits. Bearing in mind that MHCs do not compete precisely on the same terms as the private companies since their primary objective is not to maximize profits, but to provide housing at reasonable, affordable prices to citizens. Thus, it seems that the new law has made things even harder for MHCs. A potential conflict can take place because MHCs work mainly under two rationales; from one side, they should manage their business in accordance with free market and competition, on the other side they still have social responsibilities toward their citizens and inhabitants, yet to a less degree after the new law. The broad topic of the thesis is to explore how MHCs handle conflicting logics and goals using MCSs/PMSs.

1.1 Background

While we have a growing number of literature on hybrids and another large body of literature dealing with PMS, we still have very limited research on PMS in hybrid organizations (Grossi, Reichard, Thomasson and Vakkuri, 2017). This thesis addresses this gap and focuses on analyzing PMS characteristics in hybrids. Hybridity and performance in public sector organizations are intimately linked (Skelcher and Smith, 2017), mainly, due to, increasing competition as well as increasing citizen demands over the last few decades. As a response to the change in business environment and to address its new challenges, many public organizations have adopted market-like strategies. The change has its impact on the traditional assumptions that entail how public organizations are structured, functioned, managed, see their mission, and engage with other actors. Organizational boundaries are increasingly blurred and organizational forms and processes are being transformed and hybridized (Miller, Kurunmäki and O’Leary, 2006). This has led to “hybridization of traditional and novel institutional logics, with their complementary or competing perspectives on performance” (Skelcher and Smith, 2017, p. 425). In that sense, hybrids reflect the plurality of stakeholders and the entailed complex environment of the organization (Thomasson, 2009). Swedish housing sector represents a complex hybrid of legacy regulated elements on the one hand and neo-liberalized elements on the other (Christophers, 2013). It is neither centralized/regulated nor marketized/deregulated, but a hybrid (ibid). The Swedish municipal housing corporation (MHC) is an interesting case of a hybrid organization that deserves attention. MHC has a dual
complex mission as it is a limited corporation wholly owned by municipalities and thus operating on the border of the political and market spheres with their respective conditions and institutional logics. The legal form of corporation grants operational flexibility, whereas the complete municipal ownership secures public influence. MHC operates under private law, but its function is stipulated in public law. As a result, MHC has a multidimensional goal structure, including policy implementation, public interest, and achieving profit.

As a hybrid organization, a MHC needs to design and manage its business model and strategy, to maintain its consistency and identity on the one hand, and to respond to conflicting institutional logics on the other (Battilana and Lee 2014). In other words, a MHC needs a strategy that outlines its goals and how it is going to achieve those goals. To implement the strategy, a MHC needs to design MCSs that are tailored explicitly to fit the strategy in order to reach organization’s goals and ensure superior performance (Anthony and Govindarajan, 2007; Otley 1999; Simons 1995). MCSs consist of many elements including PMS (Anthony and Govindarajan, 2007). PMS is a critical function in hybrids to supply decision makers with useful and sufficient information that can be used for a broad variety of purposes, such as planning and control, accountability, and learning (van Helden and Reichard, 2016a). In order to address the needs of different stakeholders, a blend of strategic performance measures is needed: outcome and driver measures, financial and non-financial measures, and internal and external measures (Anthony and Govindarajan, 2007).

This is consistent with previous research on PMS in hybrids. For instance, Grossi et al. (2017) argue that a well-designed PMS should provide sufficient information regarding both financial and non-financial performance of an organization, utilizing various tools and approaches such as performance appraisals, benchmarking, evaluation techniques, balanced scorecard (BSC) etc. In similar vein, Grossi and Thomasson (2015) emphasize the need for PMS of hybrid organizations that can evaluate the financial performance as well as capture the societal values of the public services to increase accountability. No wonder that the mostly input-oriented financial approaches adopted in hybrid organizations were supplemented by more output- and outcome-focused non-financial performance measures (Grossi et al., 2017). This is consistent with MacPherson (2001) who argue that performance measures in public sector organizations should measure both output and outcomes in order to anticipate future events. The author identified two types of measures; measures of efficiency (short-term), i.e. output (results), and the measurement of effectiveness (long-term), i.e. outcomes, performance drivers. This is also
in line with Sobis and Okouma (2017) who argue that a public-sector organization should establish hard metrics (quantitative measures) for economic performance (output) and soft metrics (qualitative measures) for outcomes. In that sense, traditional economic measurement of output should be linked to the measurement of outcomes in order to balance various logics and goals. Thus, to increase accountability in hybrid organizations, there is a need for a multidimensional PMS that are able to provide data regarding a multifaceted profile of performance, covering inputs, physical outputs, quality and outcomes (van Helden and Reichard, 2016a). This is in line with a framework that has developed by the same authors who argue that a PMS of a hybrid organization will be typically characterized by a number of features.

Unsurprisingly, balance scorecard (BSC) has been widely used in many public-sector organizations (Aidemark, 2001; Olve, Roy, and Wetter, 2000). BSC is the most well-known and commonly used PMS (Vieira, O'Dwyer, and Schneider, 2017). It is a clear and comprehensive framework that encompass both financial and non-financial measures and link financial budgets with strategic goals (Kaplan & Norton, 1996b; Nørreklit and Mitchell cited in Hopper, Northcott, and Scapens, 2007). BSC is also popular in Swedish municipalities (Olve, Roy, and Wetter, 2000). However, it is important to emphasize that MCS approaches, such as BSC, do not operate in isolation, but rather they co-exist with other types of control (e.g. administrative) and more informal controls (e.g. cultural and personal), i.e. control package (Malmi and Brown, 2008). Furthermore, it is not only the design of PMS that should be taken care of to increase accountability for hybrid organization but also how the system is implemented and used (Grossi and Thomasson, 2015).

Therefore, with all the complications of the Swedish public housing, it is interesting to explore how MCSs and PMS in MHCs can deal with multiple institutional logics (e.g. social and commercial) and their diverging goals. This in turn is expected to influence the design and use of MCSs/PMS.

The remainder of this section introduces number of research areas and problems that are involved to understand their context.
1.1.1 Background of the Swedish Housing market

A well-functioning housing market is crucial for economic growth (André, 2010; Bhatta, 2010). A dysfunctional housing market has a potential negative impact on macroeconomic and financial stability (OECD, 2017). In recent years, Sweden has suffered from a housing crisis (Emanuelsson, 2015). The imbalance between supply and demand has resulted in housing shortages (OECD, 2017). Supply shortage is a nationwide problem that can be seen in 255 municipalities, out of Sweden’s 290 municipalities (National Board of Housing, Building and Planning, 2017). However, housing market dysfunctionality penalizes households with low income and wealth since they are less likely to own housing and rental zoning regulations hinder their mobility (OECD, 2017). The current very low interest rates and rapidly rising housing prices favour high income households. Therefore, there is a necessity for procedures that can balance supply and demand and improve the functioning of housing market.

Historically, housing had been seen as a strictly private market matter with only a minimum of State interventions. Until a major transformation took place recently after the second world war, turning housing into ‘a pillar’ of Sweden’s welfare system (Hedin, Clark, Lundholm and Malmberg, 2012). A new system characterized by vast State interventions in form of regulations and financial subsidies replaced a previous market-oriented housing system. For more than four decades, subsidized loans were provided to local Municipal Housing Corporations (MHCs) in order to offer housing to a wide range of households at affordable prices and make up for any construction shortfalls by the private sector (Lindbergh, Larsson & Wilson, 2004). Nevertheless, in the wake of New Public Management (NPM), a transformation from a regulated and subsidized housing policy to a competitive and market-oriented one took place. State and municipal subsidization, in the form of loans and preferential tax treatment for MHCs have been gradually stopped (Hedman, 2008). Subsequently, MHCs have been exposed to free market mechanisms in order to compete with the private sector on equal terms. The lack of subsidization led to increase in costs for municipalities, which in turn, led them to increase rent for households (Bengtsson, 2006a). This was consistent with the cost-based rent principle which stated that municipalities were not allowed to charge higher fees than the costs of the services or utility they provided to citizens, but rather they should set cost based rents that cover the cost of capital (Riksdagen, 1998). Notwithstanding, municipalities, represented by board of directors, decide on fundamental issues for MHCs, inter alia, strategy, objectives, guidelines, and budget. This is to ensure that MHCs are managed in consistence with municipal’s goals.
and directives. Thus, MHCs can be seen as hybrid organizations, operating under multiple institutional logics that are likely in tension with each other.

In 2011, new legal framework for public utility housing companies came into force, stating that the public utility must combine social responsibility with commercial logic (SABO, 2017). At the same time, rental legislation was changed - the public utility no longer sets the ceiling for the rents (SABO, 2017). This means that MHCs should act in a completely liberalized way, charging households market rents based on supply and demand. Accordingly, a shift from cost-based rent principle to “businesslike principle” has occurred. MHCs have been considered as an exceptional case that do not have to follow cost-based rent principle to avoid violence against EU’s regulations of free competition. The new law also stresses that MHCs should act based on what is best for them in the long run because housing management is a long-term business.

1.1.2 Hybrid Organizations

The term hybrid denotes ‘impure’ or a mix of two (or more) forms of organizing concepts, modes or perspectives (Grossi et al., 2017). While Hybrid organizations have been viewed as ‘institutional weirdos’ (e.g. Ménard, 2004). Yet, the term is not clear and in some cases blurred (Thomasson, 2009). In public administration and management context, hybridity is tightly connected to organizational hybridity, such as “a specific type of organization composed of structural elements deriving from other types of organizations” (Grossi et al., 2017, p. 379). Hybridity is not a new phenomenon (Skelcher and Smith, 2015). For instance, Adam Smith, was skeptical of hybrids, questioning the performance of the British East India Company (Vining and Weimer, 2017). Yet, in recent years, the number of hybrids have increased due to the increasing prevalence of pluralistic and complex institutional environments (Bromley and Meyer 2015). It has even been argued that all the organizations tend to have some degree of hybridity and thus one may claim that all organizations are hybrid (Grossi et al., 2017).

In order to understand hybridity, several theoretical approaches have been discussed. For instance, Seibel (2015) has proposed two alternative perspectives on hybridity. One is widely recognized typology of hybrids, in which a hybrid can be located at the interface of dominant ‘sectors’ such as the public sector, the private for-profit sector and the third sector (civil society or nonprofit sector). Accordingly, many organizations can be regarded as hybrids such as state-owned enterprises (SOEs) and MHCs (public/private for-profit), social enterprises (private for-
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profit/third), and organizations sponsored by government (public/third sector) like welfare associations. The alternative perspective focuses on a combination of sector-specific governance mechanisms. For instance, the hierarchical governance of the rule of law and the survival of a firm in a competitive environment are sector-specific governance mechanisms. These mechanisms are commonly accepted both in the public realm and in the business world, yet this is not the case for civil society organizations (ibid). In that sense, Seibel (2015) has differentiated between hybrid organizations and hybrid mechanisms.

While other researchers adopted a sector-based differentiation in relation to public policy, in which they looked at three levels; micro-level of single organization, meso-level of policy sectors or subsectors and macro-level as both public and private actors contribute to policy outcomes (Grossi et al., 2017). Others looked at the different dimensions of hybridity, for instance, dimensions of accountability (Grossi and Thomasson, 2015).

In line with this, a growing number of literature have used the perspective of institutional logics to analyze and explain hybridity (e.g. Thornton et al., 2012; Mair et al., 2015; Argento et al., 2016; Skelcher and Smith, 2017; Høgvold Olsen et al., 2017). Institutional logics “can coexist in parallel; they can be blended or remain in conflict with each other” (Grossi et al., 2017). Accordingly, in hybrids there are diverging institutional logics at both the organizational and individual levels (Skelcher and Smith, 2015). These multiple logics lead to different organizational structures (e.g. board composition) and in varying governance modes (e.g. hierarchy or market mechanisms).

In comparison to pure public or private organizations, public/private for-profit hybrids (e.g. MHCs) have often fallen in literature between two extremes either as innovative solutions and flexible adjustments to changing contextual patterns (see e.g. Christensen and Laegreid, 2011, p. 420) or as unstable and less efficient (see e.g. Weimer, 2016).

To make things crystal clear, in this thesis with regard to hybrid organizations, the author has adopted the following frameworks that will be discussed, with other frameworks and theories, ¹in more details in the theory chapter:

¹ Such as contingency theory which entails that there is no optimum MCS
First, Grossi et al. (2017, p. 380)’s view that hybrids are these organizations that “are expected to meet financial and non-financial goals and to satisfy the needs of both internal and external stakeholders (i.e. direct ‘customers’, the government and the broader public)”.

Second, an organization is regarded as hybrid if meets at least one of these four criteria (van Helden and Reichard, 2016a): (1) Ownership: A mixed ownership structure (both government and private shareholders); (2) Goals: multidimensional goal structure, including, for instance, policy implementation, public interest or profit; (3) Funding: Basically, hybrids rely on sales revenues, yet in some case they subsidize by government e.g. public transport subsidies; (4) Control: the legal status of the entity is largely determine external control and oversight e.g. SOEs and MHCs usually have the legal form of a joint stock company or a limited company, where oversight is exercised by a supervisory board consisting of the owners’ representatives. Notwithstanding, “an organization may be hybrid with regard to one criterion (e.g. ownership), but it can be purely public with regard to the other criteria” (Grossi et al. 2017, p. 381).

Third, the author of the thesis adopts the perspective of institutional logics \(^2\) to analyze and explain hybridity, investigating whether these co-existed logics and their various goals are in tension with each other or they are mixed and blended as a sort of reconciliation. A tension between diverging goals imposes a cognitive burden on boards and managers and requires reconciliation (Argento et al., 2016).

1.1.3 PMS in Hybrids

Measuring an organization’s performance has been generally discussed in literature, yet explicit research on hybrids is rare in that regard (Grossi et al. 2017). In the public-sector, performance management is a significant topic that has drawn attention for decades because it is not financial results that matters but rather the accomplishment of societally relevant goals (van Helden and Reichard, 2016a). Yet, the topic has become increasingly attractive research topic after the introduction of NPM, three decades ago, as public-sector organizations have moved toward result orientation and managers have been held more accountable to results (Hood, 1995) i.e. known also as management by result/objectives (Sobis and Okouma, 2017). The need has increased to PMS that can supply managers with sufficient performance information and help

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\(^2\) Institutional logics will be discussed in more details in the theoretical framework chapter of the thesis.
them to take better decisions or for external accountability and control (van Helden and Reichard, 2016b).

Measuring the performance of public organizations is problematic for several reasons (De Bruijn, 2007), inter alia: (1) Products have multiple values; (2) Products are interwoven; (3) products are produced together with others; (4) Uncertain and dynamic environment; (5) Organizations are process-oriented; (6) Causalities are unknown; (7) Quality is not definable.

Traditionally, quantitative measures of a financial character were used to follow up and evaluate performance in the public sector. Yet, it is widely acknowledged that relying solely on financial measures is inadequate and that non-financial measures are also needed beside financial ones (e.g. Anthony and Govindarajan, 2007). For instance, more than six decades ago, Drucker (1955) argued that the measurement of objectives in public sector organizations should not be limited only to economic results. BSC, created by Kaplan and Norton (1996), is the most famous PMS incorporating both financial and non-financial measures. This is based on the premises “If you can’t measure it, you can’t manage it” (Kaplan and Norton, 1996, p. 14). Therefore, BSC aims to overcome the weaknesses of traditional performance management (Halachmi, 2005). BSC establishes a variety of different types of measures including outcome and driver, financial and non-financial, internal and external (Anthony and Govindarajan, 2007).

1.2 Problem Discussion

Although we have a wealth of literature discussing PMS and another growing number of studies on hybrids, limited research is explicitly done about PMS in hybrid organizations (Grossi et al., 2017). Previous research view hybrid organizations as being complex and lacking accountability (Andre’, 2010; Billis, 2010). Public sector Hybrids are described as market oriented and politically governed, operating in a business-like manner to provide public services using public funding (Kickert, 2001; Reichard, 2006). Grossi and Thomasson (2015) have raised the question ‘for what’ hybrid organizations are to be held accountable in the light of existing market-oriented mechanisms. Public sector Hybrids are expected to fulfill financial and non-financial goals and to meet the needs of multiple stakeholders (Alexius and Cisneros-Örnberg, 2015). This is a problematic in light of management by objectives associated with NPM. As politicians make a decision about major objectives for MHCs, which in turn should
seek to achieve (Ferreira and Otley, 2005; Verbeeten, 2008). In doing so, political major objectives will be initially translated and adapted into an organization’s needs. This entails breaking down major political objectives into smaller targets (specific operational goals) that can be measured (ibid). Nevertheless, it is hard to imagine that political major objectives will be always aligned with multiple stakeholders’ objectives. This is due to that diverse interest groups have different objectives that fit their own interest (Rombach, 1991). Besides, politicians often lack know-how skills, struggling to explain their vision, objectives and strategies. This in turn, can create uncertainty and confusion and thus public organizations’ managers may feel unsure about what they are expected to achieve (ibid). Consequently, goal ambiguity will affect the design and use of PMS.

As have been touched in the previous sections, the assessment and designing of MCS/PMS in PS hybrid organization are hard tasks due to the complexity of their environment. Unlike the private sector, public sector mission is not clear and this lead to major implications when designing MCS (Mihaiu, Opreana, and Cristescu, 2010). Also, measuring the public-sector performance is complex due to the difficulties that exist in the definition of performance: the first difficulty appears from the meaning of the concept of performance; the second appears from the way the performances are obtained, and the third from evaluating the performance (ibid, 2010). Thus, goal ambiguity makes it hard to secure effective PMS due to the difficulty to define “effective performance” and the criteria by which it is judged.

How the design and use of PMS can tackle these issues in practice to ensure efficiency and effectiveness. This is still problematic. According to Grönlund and Modell (2006), efficiency is short term approach that refers to resource utilization (input) and productivity (output). While effectiveness deals with long-term effects of an organization’s activities, concerning the quality of performance and the social benefit (outcome) (ibid). In other words, effectiveness can be understood in terms of goal achievement that has public value i.e. outcome. However, there is still a lack of relevant measures to evaluate the outcome (Sobis and Okouma, 2017). Zineldin (2006, p. 10) claims that it is an “impossible mission”. Most of the measures established for this purpose are relying on random variations rather than a clearly observable causal relationship between outputs and outcomes (Sobis and Okouma, 2017).

It is obvious that MHCs operate today in a complex business environment with various institutional logics that encompass divergent demands. Drawing on Argento, Culasso and
Truant (2016) framework, one can argue that MHCs are being managed as business-like organizations operating under conditions of financial independence (commercial logic), yet public housing is not freely managed but are constrained by accountability and citizen expectations since MHCs were basically established to serve the public interest and fulfil their social mission (social logic), additionally they should comply with laws and regulations, plans prepared by local, regional, and national and EU bodies (compliance logic). The potential tension and confusion over the different goals can lead to decoupling as organizations may ceremonially endorse practices prescribed by one logic while actually implementing mechanisms promoted by another logic (e.g. Bromley and Powell, 2012). Thus, measuring the performance of a hybrid organization is hard because it entails dealing with multiple ambiguities such as measuring the achievement of various goals and targets that may be in conflict (Vakkuri, 2010; van Helden and Reichard, 2016b). As a result, designing MCS and establishing a performance management system (PMS) for hybrids are very challenging. The aim is to measure and evaluate the performance of a hybrid organization to ensure strategy implementation and to meet the expectation of various stakeholders. Yet, the potential conflicts between multiple goals and the lack of goal clarity may lead to a diffuse link between strategies and the PMS (van Helden and Reichard, 2016a). How the design and use of PMSs and MCSs can handle this and, at the same time, increase effectiveness.

1.3 Purpose

Most empirics dealt with the multiplicity of logics have focused on the conditions that promote the diffusion and persistence of logics, on contrary very limited empirics have explored how organizations cope with the continuing presence and demands of multiple logics (Kodeih, Greenwood, 2014) and what the implications for MCS/PMS design and use (van Helden and Reichard, 2016a). MHCs are hybrids by constitution as they embody conflicting logics related to their structures as limited corporations fully owned by the Swedish municipalities. We can assume that MHCs would use MCS that gives a meaningful picture for an organization, encompassing both financial and non-financial aspects. This is also consistent with the framework of van Helden and Reichard’s (2016a), in which the authors argue that a PMS of a hybrid organization will be typically characterized by a number of features that can be summarized as following: (1) Explicitly multidimensional; (2) weak link with strategy; (3) Clear and measurable targets will be used to a moderate extent; (4) moderate link between
Performance information (PI) and monetary rewarding systems; (5) PI mainly used for accounting to external stakeholders than for internal steering.

The authors call for empirical studies to test the framework and assumptions, stating that there is very little research done to deal with performance measurement and management in hybrids. I find this framework very interesting and comprehensive because it is based on examining 80 publications in high-profile international academic journals over the last 20 years. Thereby, the aim of this thesis is twofold:

- **First**, to test this framework of van Helden and Reichard’s (2016a) and bridge this gab in literature, contributing to the scientific knowledge about performance measurement and management in relation to hybrid organizations, adopting a case study methodology focusing on MKB Fastighets AB, one of the Sweden's largest public housing company operating in the cities of Malmö and Lund in Southern Sweden.

- **Second**, to analyze the MCSs/PMSs at the chosen companies and understand the linkage with strategy, highlighting such areas that need improvement and, if deemed necessary, propose a conceptual model for MCS/PMS to overcome the problems that I identify.

### 1.4 Research questions

Despite that there is a wide recognition among all the parties that MHCs should no longer bear any special social responsibility, in practice, many MHCs still do but to a lower degree (Lind cited in Scanlon, Whitehead, and Arrigoitia, 2014). MKB and LKF are public sector hybrid organization that has been chosen in the thesis to test the assumptions of van Helden and Reichard’s (2016a). Hence, research questions are:

- What are the characteristics of PMSs in the chosen companies? Are they in line with the framework?
- What are the weakness in the MCSs and PMSs in these companies and how they can tackle the potential conflict among the multiple logics, and, at the same time, increase effectiveness.?

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3 It is very important to mention that while analyzing MCS we should analyze PMS because it is a significant element within the broader system (MCS).
1.5 Delimitations

The limitation of this study is mainly due to the limited timeframe and lack of funds. For example, a limited number of interviews were conducted, namely three.

1.6 Summary

MHCs are hybrids since they operate basically under dual logics (business logic and social logic); Business logic has been increasingly emphasized after the new law of public utility (2011) as MHCs have been required to be managed based on business-like principles, while social logic stems from the fact that MHCs play a major role in providing houses for all types of household regardless of gender, age, origin or income as they own around 20% of the housing stock. A balance between the dual logic for MHCs to remain profitable and, at the same time, meet their social responsibility towards inhabitants, is arguably hard to achieve. Thus, we need to investigate what are the typical characteristics of PMS in public hybrid organizations through testing the framework of van Helden and Reichard’s (2016a). It is also interesting to explore how PMS and MCS can handle this potential conflict in the design and use.
1.7 Disposition

The remaining chapters of this thesis are eight chapters as disclosed in the figure below:

- **Method**: In this chapter I will describe the chosen method for the study and discuss its trustworthiness.

- **Theoretical Framework**: In this chapter I will present the theoretical framework to support the analysis of the empirics.

- **Empirics**: In this chapter the empirical data provided mainly based on semi structure interviews and observations.

- **Analysis**: In this chapter I will present my own interpretations of the empirical data and give a detailed comparison between the theoretical framework and the empirical evidence. Furthermore, the chapter will be concluded by a conceptual model of MCSs in MHCs.

- **Framework Test**: Testing the framework of van Helden and Reichard (2016a).

- **Conceptual Model Design**: Designing the new MCSs.

- **Conclusions**: In the final chapter I will come up with conclusions to answer the research questions and suggest further research.

- **References**: List of references divided into scientific books and articles, and internet references.
CHAPTER II: Methodology

2.1 Research Strategy

Various kind of methods and tools have been used in this thesis to analyze the chosen companies. For this thesis, the research strategy is to start by collecting and analyzing some theoretical studies and scientific literatures within the areas of public housing sector, hybrids and MCS& PMS. Based on this, a guide for the interviews has been prepared in which various questions have been established within the research area. After conducting the interviews, I returned again to literature to investigate specific issues that have been stressed during the interviews but were not sufficiently studied before. So, the research was a process of frequent back and forth between literature and empirics. The end product of this process is highlighted as the findings are analyzed and discussed and the most important results stressed. Based on the findings and the analysis, the conclusion is written to answer the research questions.

2.2 Research Method

Due to the exploratory nature of this study, I have chosen to employ a qualitative research approach to fulfill the purpose of the thesis. A qualitative method is the most logical choice when analyzing an organization in depth. If properly applied, a qualitative method gives the researcher the opportunity to focus on specific issues that aligned with the thesis purpose. This is consistent with Berg, Bruce & Lawrence (2009, p. 2) who argue that “…the fruitfulness and often the greater depth of understanding we can derive from qualitative procedures”. A qualitative method also gives the researcher more flexibility along the way (Holme & Solvang, 1997). It has been argued also that “qualitative methods have greater potential to produce interesting papers because, unlike quantitative researchers, they have ‘already departed from mainstream methods, [and] have less to lose by studying odd topics and taking theoretical risks” (Barley 2006, p. 19). In comparison to the quantitative method, a qualitative method gives the researcher the opportunity to perform the study more closely to the research subject (Jacobsen, 2000). Yet, both qualitative and quantitative research methods have pros and cons and therefore they should not be viewed as competitors, but rather as complements with each research approach being more suited for different settings and purposes (ibid). For this thesis, I believe that the qualitative approach will better serve the purpose of the research. Inspired by Bryman
and Bell (2015) who view the qualitative research method as an appropriate approach for research in business and management administration.

### 2.3 Reasoning behind the study

This study, in a sense, relies on mixed reasoning (deductive and inductive i.e. abductive) to serve the twofold purpose. Mixed methods refer to the use of two or more quantitative and/or qualitative strategies within a single research project where strategies can be implemented concurrently or sequentially (Morse, 2003; Onwuegbuzie, Leech, 2006). Abductive approach is a hybrid in a sense that it has the features of both deductive and inductive approach. The primary aim of abductive approach is to facilitate theories and empirical situation, which examines theories, empirical findings and analysis constantly (Dubois & Gadde, 2002). On one hand, a deductive reasoning stems from the fact that I have a framework in which the authors argue that a PMS of a hybrid organizations will be typically characterized by a specific number of characteristics. I will test these theoretic assumptions against the empirical results. On the other hand, an inductive reasoning is needed to serve the purpose of designing a new PMS to the chosen companies based on the empirical findings. This is an inductive approach in a sense - going from what the data 'tell'. This does not mean that I did not have (deduced) hypotheses before starting collecting data, but rather it does mean that I have kept the freedom of retrospectively formulating new hypotheses to fit data. Mixed methods make it possible to draw on the strengths of the different methods applied and offers the potential for deeper understandings of the complex phenomenon of PMS in hybrids. Hence, abductive approach is perceived to be convenient to serve the purpose of the thesis.

### 2.4 Data collection

Both primary and secondary data are collected for analysis to fulfill the purpose of this thesis. Primary data is information that the researcher gathers on his own, for instance by using interviews, questionnaires and observations, while secondary data refers to the data such as literature, documents and articles that is collected by other researchers and institutions (Bryman and Bell, 2015). I used three semi structure interviews to collect the primary data for this research. The secondary data used in this thesis has been critically evaluated and collected from books, scientific articles, company reports and internet sources. Notwithstanding, to deepen my
knowledge about the topic, I attended a seminar discussing the goal conflict in municipal and private Swedish housing companies and the impact of legal environment in which companies operate.

2.5 Case study

According to Bryman and Bell (2015), a case study design involves detailed and intensive analysis of a single or few cases where the complexity of the nature of the case is sincerely studied. It has been used in many well-known studies within the field of business and management research. Through reports of past studies, a case study research allows the exploration and understanding of complex phenomenon. A case study research can be seen as a robust research method, particularly, when a holistic, in-depth investigation is required. Moreover, a case study method enables a researcher to closely examine the data within a specific context. A case study also provides a researcher with a vehicle through which several qualitative methods can be combined, hence avoiding too great reliance on one single approach (Knights and McCabe, 1997).

Thus, in this thesis, I have chosen to use a case study research method which is appropriate in studies whose aim is to understand the complexity of a phenomenon within its context, in our case PMS in hybrids. A case study entails the detailed and intensive analysis of a single case or a few cases, allowing several aspects to be considered in the analysis (Bryman and Bell, 2015; Eisenhardt, 1989). Indeed, case study approach is very popular and widely used (Eisenhardt and Graebner, 2007). Thus, it is not a coincidence that the best-known studies in business and management research are based on case study (Bryman and Bell, 2015).

2.6 Company Choice

According to Stake (1995), the critical factor while selecting cases for research is the anticipation of the opportunity to learn. The researcher should select the cases where he/she expect learning will be most. The scholar has identified three different types of case study: Intrinsic cases are investigated mainly to gain insight into the particularities of a situation, rather than to gain insight into other cases or generic issues. Instrumental cases, where the focus is on using the case as a means of understanding a broader issue or allowing generalizations to be challenged. Finally, multiple or collective cases that are conducted jointly to explore a general
phenomenon. Yet, it is hard to set clear boundaries between these three types of case study (ibid). The chosen companies for this thesis are Malmö Kommuns bolag (MKB) Fastighets AB and Lunds Kommuns Fastighets (LKF) AB. Both are municipal housing corporations (MHCs) that completely owned by Malmö and Lund municipalities respectively. The companies meet all the criteria that required to analyze PMS in hybrids. As I have discussed in the background in the thesis, MHCs are hybrid organizations, operating at least under two competing logics; commercial and social. The chosen companies are in a good match with the research topic and hence can fulfill the purpose. For practical reasons and to facilitate the process, I chose to conduct my research in two geographically close companies. The two companies are in south Skåne county and thus they almost operate in a very similar market. Yet MKB is almost twice the size of LKF in terms of sales, employees, new production goals.

It is important to emphasize that the purpose of the case study is not to generalize the findings to other cases or larger populations (Bryman and Bell, 2015). Rather, the goal of a case study is to expand and generalize theories, (analytic generalization), and not to enumerate frequencies, (statistical generalization), (Yin, 2003).

It is very important to mention that I was a trainee at MKB for three months under 2016. As I was assigned the tasks of business controller so I am familiar with the business environment as well as observer to the way in which controllers and employees behave, interact and communicate with each other. Thus, ethnography is evident, ethnography entails an extended period of participant observation (Bryman and Bell, 2015). the author also considered his own pre-understandings and the potential influence of these pre-understandings on their interpretation of the data. I tried to “manage” my pre-understandings by being open to the experiences revealed by the participants and avoiding being judgmental. I have tried to be objective and to build most of my arguments based on the interviewees responses i.e. seeing through the eyes of the interviewees. Yet, it is almost impossible to fully stand aside my own epistemological commitments. The best I can do is to hold my own research structures and logics and even myself researchable and not immutable to be more objective (Johnson and Duberley, 2003).
Table (1) shows general information about the two companies

<table>
<thead>
<tr>
<th></th>
<th>MKB</th>
<th>LKF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales (Million SEK)</strong></td>
<td>2,011,00</td>
<td>934</td>
</tr>
<tr>
<td><strong>Net profits (Million SEK)</strong></td>
<td>135,00</td>
<td>108</td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
<td>302</td>
<td>218</td>
</tr>
<tr>
<td><strong>Number of Apartments</strong></td>
<td>23,038</td>
<td>9,551</td>
</tr>
<tr>
<td><strong>Market Value (Millard SEK)</strong></td>
<td>32,9</td>
<td>11,5</td>
</tr>
<tr>
<td><strong>% of Rental market in the municipality</strong></td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td>Biggest in Malmö</td>
<td>Third biggest MHCs in Skåne</td>
</tr>
<tr>
<td><strong>Goal (number of apartments)</strong></td>
<td>2250 (2017-2019)</td>
<td>250-300</td>
</tr>
<tr>
<td><strong>Owner</strong></td>
<td>Malmö municipality</td>
<td>Lund municipality</td>
</tr>
</tbody>
</table>

### 2.7 Interviews

The choice of interviewees was carefully planned bearing in mind the limited timeframe. The reason for selecting the specific persons was mainly to have a comprehensive multidimensional point of view about the phenomenon of PMS/MCS in MHCs. As such, a need for both management accounting and control view as well as political view are deemed necessary. So, both the provider and the potential user of the data was selected to be interviewed. Initially, contact took place with participants via e-mail. The author was asked in one occasion (by the CEO strategy advisor) to give an accurate description of the purpose of the thesis and the interview via email. One possible explanation is that the advisor wanted to make sure if he was the right person to be interviewed or if there was any better suited employee within company.

The public housing sector in Sweden is very complex with several policies, laws and regulations that need deep understanding before analysing the cases at hand. To meet all these demands, I chose to conduct three semi-structured face-to-face interviews with one controller to give me deep insights about PMS at MKB, a politician and an advisor of the CEO at MKB with enormous experience within politics and management consultation, and the CFO at LKF. This is to get deep insights about the companies’ strategy and how they are influenced by the recent legal changes. Hence, the chosen interviewees for this study are shown in the table above.
Table (2) shows information about the interviews

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Company</th>
<th>Position</th>
<th>Length</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfred Nyström</td>
<td>MKB</td>
<td>Business Controller</td>
<td>70 minutes</td>
<td>018-02-09</td>
</tr>
<tr>
<td>Dan Ericsson</td>
<td>MKB</td>
<td>CEO Strategy Advisor, Former State Secretary</td>
<td>54 minutes</td>
<td>018-04-12</td>
</tr>
<tr>
<td>Petter Swanborg</td>
<td>LKF</td>
<td>CFO &amp; Chief Accountant</td>
<td>74 minutes</td>
<td>018-05-03</td>
</tr>
</tbody>
</table>

The interview is probably the most widely employed method in qualitative research (Bryman and Bell, 2015). It is also widely recognized that face-to-face interviews are highly preferable over email and phone interviews (Gillham, 2008). According to Gillham (2008), there are a number of criteria’s that should be fulfilled for a conversation to be classified as an interview. The cornerstone criteria are formulating and asking open questions to the interviewee, this in turn will give him/her the possibility to answer the questions the way he/she feels most suitable. Open questions give the interviewee the opportunity to elaborate and give more details which results into more in depth insights. The researcher in turn should be patient and give the interviewee the time for development behind the questions. Follow up questions should be added and asked if the researcher realize that the relevant issues are not touched upon. Gillham (2008) argue that the relation between the interviewer and the interviewee should be responsive or interactive, and provide room for adjustments and further issues. This type of interviews is the so-called semi-structured interview approach, which I have adopted in the thesis.

I established a set of questions to be used as an interview guide (Polit & Beck, 2012). The interview guide was sent one day before the interview upon the request of the CFO at LKF. This gives him a good opportunity to prepare mentally and physically through preparing the needed material to support his arguments. Semi-structure interview technique was used because it gives the interviewee a great deal of leeway in how to reply to questions which may not follow on exactly in the way outlined. In that sense, the interview process was flexible as the emphasis was on how the interviewees frames and understands issues and what the interviewees view as important in explaining and understanding. Prior to the interviews, a brief introduction was given to the interviewees about the interviews structure and purpose. All interviews were recorded, with the permission of the people being interviewed. After the interviews, the
recordings were transcribed into computer files, giving detailed attention to language (Burnard, 2004). Then the transcriptions were sent to the interviewees to avoid misinterpretations. According to the feedback from the interviewees, changes and adjustments have been done. It is important to emphasize that all the interviewees participating in this thesis approved transcriptions, just minor changes have been implemented in accordance with the feedback. This in turn increase reliability of the collected data. The length of the interviews varies among the interviewees from 54 minutes to 74 minutes.

2.8 Seminars

I used to attend a number of seminars that discuss the housing market situation in Sweden. This is because I work as a part time accountant at the Centrum För Fastighetsföretagande (CFFF), a non-for-profit organization that aims to encourage cooperation between universities and housing companies to bridge the gap between practice and theory. The last seminar, in particular, on 3 May, 2018, was tightly connected to the topic of the thesis. The seminar was under the title” Målkonflikter vid utveckling av staden” or goal conflict in developing cities. I was keen to attend the seminar because it is a very good occasion where the key players in the Swedish housing market are being involved in an intensive debate, the so-called panel debate. The group engaged in panel debate were Marlene Engström, Project Manager Malmö municipality, Anna Heide, business development head manager, Trianon real estate, Ole Kasimir, planning manager Lunds municipality, Susanne Rikardsson, CEO Fastighetsägarna Syd (or Property owners south).

This is very similar to a focus group data collecting method. This method is used to explore participants’ experiences in an interactive way, hence using this technique to have a “group effect” (Carey & Smith, 1994, accessed in Agevall, Broberg & Umans, 2018) where experiences are presented, discussed, and elaborated upon in interaction with other group participants. Also during the seminars, I was well-observer to non-verbal communication among participants who are key actors in formulating the Swedish housing strategies. This can contribute to the reliability of research. Last seminar was recorded after taking the permission of the manager of the CFFF.
2.9 Triangulation

According to Bryman and Bell (2015), triangulation implies using more than one method or source of data in the study of social phenomena. Despite that triangulation was very much associated with a quantitative research strategy, it can also be seen within a qualitative research strategy, mainly to check out previous observations with interview questions to determine whether the researcher might have misunderstood what he/she had seen. As I have touched upon above, I have pre-understanding to PMS and business condition at MKB, yet many things can be changed in two years. This is not the case for LKF. So, the face to face semi-structure interviews in MKB case are deemed critical to confirm or change my perspective about specific things that are tightly related to PMS and strategy. Also, semi-structure interview is necessary in LKF, to get insights and develop knowledge about the company. Observations through seminars were also utilized to explore how key players in Swedish housing market behave, interact and communicate with each other to obtain better understanding and capture the context within which they interact (Bryman and Bell, 2015). This provides a rich database for analysis. Therefore, the data in the thesis was collected from more than one source (interviews and observations) and hence triangulation that provides a rich database for analysis.

2.10 Translation Issues

The interviews were conducted in Swedish to facilitate the process and then translated by the author who is not a native Swedish-speaker. The author of the thesis has spent seven years in Sweden, during the last four-five years the author studied at the university level using the Swedish language. Thus, this might provide a source of error and the issue of possible translation mistakes might occur since the translations are neither made by a native Swedish-speaker nor a professional translator. In order to reduce the possibility of translation mistakes due to stress and misunderstandings during interviews, interviews were recorded with the help of recording software for mobile phones. The recorded conversations have then been carefully heard and translated with a great caution by the author. The end product of this time-consuming process is a written material in the English language that has been directly used when analyzing the material. The transcriptions have been sent to the interviewees to approve to increase validity.
2.11 Methodological considerations

Also, one can argue that it would have been better to make a comparison between one private hybrid and one public hybrid. Initially, this was the idea behind the thesis, but after conducting literature review, I have changed my mind. The new law of public utility (2011)—whereas MHCs have been required to adopt business-like principles to ensure the compliance with EU regulations of free competition—has been considered as a turning point in public housing history. So, I decided to investigate that and focus only on public hybrids.
CHAPTER III: Theoretical Frameworks

We have three extensive themes to discuss to provide the needed knowledge before approaching the empirics; public sector organizations business environment, MCSs frameworks, and PMS frameworks. Getting insights in this, will give the reader the theoretical basis needed to understand the empirics where the two cases will be discussed and analyzed. So, here we set the course and foundation for the following chapters

3.1 Public-sector organizations business environment

Here the aim is first to describe the surrounding environment that MHCs operate under. As public-sector organizations, we need to understand the core concepts such as NPM and its doctrines and implications, institutional logics that are in potential conflict, and the role of accounting practices to reconcile these logics. This will contribute to demarcate clear boundaries between public sector organizations and private sector organizations.

3.1.1 New Public Management and its implications

NPM has its origin in a critique of the traditional way of exerting control and management in the public sector (Grossi, Budding, Tagesson, 2015). Over the past few decades, significant financial and administrative reforms have been undertaken in the public sector of a number of countries to bring more accountability to the sector. The financial reform encompasses, financial reporting, accrual accounting systems and full cost pricing, while the administrative reform includes structural and labour reforms and information systems reforms (Hoque, 2003). These reforms have been a common experience across the world regardless of its different forms and foci (Pollitt, C. and G. Bouckaert, 2004). They are commonly referred to as New Public Management (NPM). The ideology of NPM was introduced during 1990s, mainly because many services in advanced economies have been under pressure to become more efficient and effective. In order to reduce governmental demands on taxpayers, while maintaining/increasing the volume and quality of services supplied to the public, a number of countries such as those of the U.K. and Scandinavia, pushed for corporatization and privatization, mimicking of the private sector management techniques and practices and applying them into the public-sector context (Hood, 1995).

The key forces driving the change include, increased globalization, technological innovation, changing attitudes to the role of the government in the economy, more enlightened and demanding citizens/customers, and citizens’ dissatisfaction towards curtailing of budget
spending. All of these forces have put governments under pressure in order to be more efficient, effective and accountable in their use of publicly generated funds (Hoque, 2003). In general, the reforms have focused on two major areas (ibid): First, MCS, through improving the information provided by the accounting systems, clarifying roles and responsibilities, and creating accountability; Second, exposing the public sector to competition. The reforms have mainly aimed to promote a culture of performance; specifying which goals to achieve and measuring and evaluating performances (Hood, 1995). Increasing accountability is at the heart of these reforms through promoting efficiency and effectiveness, promoting participative decision-making, and adopting a customer focus (Hoque, 2003). As Stoker, (2006, p. 46) states, “NPM sought. . . to dismantle the bureaucratic pillar of the Weberian model of traditional public administration. Out with the large, multipurpose hierarchical bureaucracies, [NPM] proclaims, and in with the lean, flat, autonomous organizations drawn from the public and private spheres and steered by a tight central leadership corps”. NPM has guided employees to deal with citizens as customers that should be well-taken care of. NPM has also turned the focus, from policy making to management skills, from the adherence to formalized procedures to the focus on resource allocation and goal achievement i.e. turning the focus from process accountability to accountability for results. NPM has turned the focus from policy making to management skills, from a process focus to outputs focus and more recently from outputs to outcomes focus (Hood, 1995). As a result, public sector organizations have become reporting efficiency similar to the private sector (Hood, 1995) and politicians have become interested to show to their voters the impacts of their policy making (van Helden and Reichard, 2016b).

NPM stresses multiple goals as public entities have been required not only to realize the goals of the citizens, but also, they should offer value for money (VFM) in the taxpayers’ view (Grossi et al, 2015). Huge investments have been made in operational performance measurement and monitoring systems to ensure efficiency and effectiveness. Accounting systems have been assigned a more prominent role in the management of public services, both in short-term operational and longer-term capital investment decision making (Coombs and Jenkins, 2002 cited in Hopper, Northcott & Scapens, 2007). The focus of accounting has turned to outputs, performance measurement, efficiency, cost saving, productivity and performance measurement (Hoque, 2003). In order to meet the new requirements, new accounting technologies and approaches have employed such as planning programming budgeting, performance indicators, BSC and annual reporting mechanisms (ibid)
Many techniques have been emulated from the private sector such as a capital charge, a decentralized authority to buy and sell assets, the devolution of financial decision making coupled with increased decision accountability, converting departments into business-like entities, and using both financial and non-financial KPIs (Barton, 2000). Furthermore, NPM has accelerated the use of performance management that gets the information from MCS to hold managers accountable for program results (Hood, 1995). In that sense, performance measurement is very significant element of result control system in the public sector. It monitors performance and spots deviations that would help managers to intervene to improve performance. Financial reforms have required new MCS that can influence employees’ behaviours to achieve goal congruence. The traditional administrative-based MCS was inadequate to keep up with the pace of NPM reforms (Hopper et al., 2007). These reforms required more accounting information for planning and control purposes and have created big demand for competent accountants in the public sector.

The change has even brought both challenges and opportunities for public sector accountants and managers. Accountants are increasingly required to become more proactive and strategic in order to be able to give financial advice to service providers (Coombs and Jenkins, 2002 cited in Hopper et al., 2007). While managers have released that the public sector and private sector are not dissimilar and therefore should be managed on similar basis, considering both financial and non-financial information in their decision-making (ibid).

In sum, many countries around the world have witnessed major reforms in their public sectors, adopting NPM and business-like concepts mainly to improve monitoring and accountability. NPM has promised so much, yet the successes and failures of NPM and the level of development of the undertaken reforms have varied around the world. Furthermore, NPM have been criticized in recent years. It has been argued that NPM has radically increased institutional and policy complexity and that cracks have appeared in this ideology (Hefetz and Warner, 2004). There are also mixed reactions towards the adoption of private sector practices. Accordingly, there is ongoing search for a new way of thinking, which is both post-bureaucratic and post-competitive to move beyond the narrow market versus government failure approaches (ibid).
3.1.2 Institutional logics of Hybrid organizations

Institutional theory emphasizes the notion that organizational practices may spread due to social pressures as well as economic efficiency (Thomsen and Conyon, 2012). Institutionalization denotes that the organizational practices look the same because of the influence from society. Institutionalization in the Public Sector has led to an increased focus on organizational behavior and results (Josserand, Teo and Clegg, 2006). Three mechanisms of institutional isomorphic change have been identified by Powell and Dimaggio (1991): (1) coercive (regulatory) that resulting from political influence and the problem of legitimacy; (2) mimetic stems from uncertainty i.e. mimicking successful examples; (3) normative associated with professionalization i.e. adopting best practices. Public organizations are exposed to normative pressures from external and internal sources, including the state, society, political parties, monarchies, parliaments and other democratic institutions (Zucker, 1987). Public organizations are also pushed to mimic various models and theories of the private sector within their organizations (Rautiainen, 2009). Institutional logics have been increasingly used by scholars to analyze and explain hybridity (e.g. Argento et al., 2016). This is based on the assumption that organizations and their environment are interdependent phenomena (Albu, Albu, Alexander, 2014). As such, external and internal factors, and their interaction, may affect the strategies, the organizational structure and the operational choices of public organizations (Argento et al., 2016; Albu et al., 2014). This is, public organizations’ strategic decisions, operational choices and structure can be affected by the institutional logics they are exposed to in order to legitimate their activities and meet key stakeholders’ expectations (McPherson and Sauder, 2013). Yet, managing multiple conflicting logics is very challenging due to the complex and ambiguous environment in which public sector organizations operate (Argento et al., 2016). For instance, many public-sector organization are expected to comply with multiple logics such as business logic in the wake of NPM (VanDooren, Bouckaert, Halligan, 2010), logic of compliance to laws and regulations (EU, state, and municipalities) (Argento et al., 2016), and social logic because they mainly exist to serve the public interest (Thornton, Ocasio, Lounsbury, 2012). “These ‘logics’ can coexist in parallel; they can be blended or remain in conflict with each other” (Grossi et al., 2017, p. 380). They result in different organizational structure and governance modes (Grossi et al., 2017).

Social enterprises are hybrid organizations because they simultaneously combine various elements of both social welfare and commercial logics (Busco, Giovannoni and Riccaboni,
The potential conflict between these logics is considered as a unique feature in the identity of these organizations (Santos, 2012). So, social enterprises need to find ways and mechanisms to ensure the ongoing co-existence of competing logics and address their multiple diverge demands (Pache and Santos, 2013). Three ways have been suggested in academia that may address this dilemma, resolving tensions, and eliminating conflicts between these logics (Busco et al, 2017). First, by keeping the conflicting logics separate through decoupling mechanisms (Meyer and Rowan, 1977). Second, compromising mechanisms (Lounsbury, 2007) that used to reconcile conflicting logics through finding an acceptable balance between them. Third, combining elements of the multiple logics can be used to reconcile conflict, such as selective coupling of practices (Pache and Santos, 2013).

Notwithstanding, a number of studies on tensions and paradoxes find that conflicting institutional logics may be sources of competitive advantage, learning and innovation (Lewis, 2000; Jay, 2013).

Figure (1) shows institutional logics of MHCs adopted from Argento et al (2016)
3.1.3 The role of accounting practices to manage multiple logics

It has been argued that multiple logics can lead to variation in accounting practices (Lounsbury, 2008). A number of studies have regarded accounting as “a decoupling mechanism within which specific practices are used ceremonially to satisfy a specific institutional logic, while actually, implementing distinctive practices promoted by other logics” (Busco et al, 2017, p. 195). In that sense, accounting can keep competing logics separate and thus sustain persistence of existing arrangements and resolve conflicts (Siti-Nabiha and Scapens, 2005). While other studies have seen accounting as combining mechanism that can be used to reconcile competing logics through combining elements from them (Thomson, Grubnic, and Georgakopoulos, 2014). This is consistent with Contrafatto and Burns (2013) who argue that multiple accounting practices such as management accounting, social and environmental reporting practices can unfold over time to embody different and conflicting demands, such as social, environmental and economic demands. While other studies have considered accounting as a compromising mechanism and thus tension can be resolved through an ongoing process of shared sense making. Therefore, accounting in hybrid organizations can be used to manage conflicts through decoupling, compromising or combining mechanisms (Contrafatto, 2014).

3.1.4 Differences between Public Sector and Private Sector Organizations

It is very important to understand how and why the public and private sector differ and the implications for PM-practices. For instance, private sector is market orientated while the focus of public sector organizations is to provide public service and meet the expectations of multiple stockholders. Thus, we can assume that performance measurements practices in the public and private sector will differ (cf. Brignall and Modell, 2000). The mode of control is relatively more ‘hard’ in the private sector and more ‘soft’ in the public sector (van Helden and Reichard, 2016a). This is, MCSs in private sector are tighter than in public sector which in turn makes performance-related reward systems relatively more important in the private sector.

In their seminal work, Perry and Rainey (1988) have identified three dimensions to explain the differences between the public and private sector, the so-called ‘dimensions of publicness’. First, ownership: on one hand, public sector organizations are, at least to some extent, owned by government and their ownership rights cannot be easily transferred, which gives rise to diffused risks, on the other hand private organizations are owned by private individuals,
shareholders, who can easily transfer their property rights and thus are subject to clear risks. Second, funding: public sector organizations are to large extent financed by taxes, with no clear link between resource generation and resource consumption, while private organizations must generate income through sales to survive and hence this link between resource generation and resource consumption is existed. Third, control: public organizations are controlled by multiple stakeholders such as politicians and bureaucrats i.e. public organization are subject to polyarchy. On the contrary, private organizations are controlled by the market and exercise rigorous control to protect their shareholder value. Nevertheless, some scholars have questioned the consistency of this framework and argue that organizations may be public on one criterion (e.g., a public utility is owned by government) but private on other criteria (in this case market funded and partly market controlled) (Meier and O’Toole, 2011).

Others have expanded this dimensions that demarcate the private and public sector and conducted researchers to investigate the implications for managerial issues, organizational environment (e.g. complexity), organizational goals (e.g. multiplicity and vagueness), organizational structures (e.g. less managerial autonomy and more bureaucracy) and managerial values (e.g. the public service motivation) (e.g. Boyne, 2002). Boyne (2002) found interesting features that can distinguish public sector and private sector managers. He found also that public managers have lower managerial autonomy, more bureaucracy, and less materialistic values, in comparison to their peers in private sector.

While Helden and Reichard’s (2016a) suggested the types of goals as a fourth dimension to ‘dimensions of publicness’ (ownership, funding, and control). The authors argued that the goals differ fundamentally between public and private organizations. On one hand, Public organizations have different mission and hence different goals such as policy related goals, accomplishing public welfare, and satisfying public interest. This is not to say that public sector organizations do not have to follow financial and efficiency-related targets (e.g. to balance revenues and expenses), but rather the dominant aim for these organizations is to achieve policy outcomes and hence effectiveness. On the other hand, maximizing profits is the core for the private sector.

Another aspect that public organizations use in order to create the confidence is citizen participation. Citizen participation is a good way to increase accountability because it gives citizens an opportunity to get into the business (Marcuccio & Steccolini, 2005).
Another distinctive feature that exists only in the public-sector organization is politicians who are chosen by citizens to safeguard their interests (Marcuccio & Steccolini, 2005). Politicians choose public organization’s managers. Managers are required to provide information to politicians and politicians in turn provide information to citizens to create public confidence. Public organizations try to increase public confidence in them by being transparent to citizens. Through Citizen participation, can public organizations increase accountability (ibid). Moreover, politicians in different municipalities reflect the party-political structure and are very influential in formulating strategy and vision of many public-sector organizations. Politicians have big impact on decision making and managerial discretion within public organization. This is consistent with Andersson (2014) who argues that managers are struggling for more autonomy and resources in negotiations with politicians and higher levels of managers and hence they pushed to adjust to the structural rules set up by politicians.

### 3.2 MCS Frameworks

Given that the main goal of this thesis is to evaluate MCS in the chosen companies and to provide solutions that to be integrated in a conceptual model, it is necessary to make a brief literature review to discuss the most prominent frameworks and theories of MCS. The author of the thesis advocates the argument that MCS should not be studied and investigated in isolation to assess their influence on performance but rather should be studied as a control package.

MCSs have been viewed in several ways. The traditional view belongs to Anthony (1965) who divided the realm of control between strategic planning, management control, and operational control (ibid, 2009). The pioneer defined MC as “the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives” (Anthony, 1965, p. 17). This is, MCS was defined through their cybernetic and processual nature. Yet, this view was criticized mainly due to two reasons. First, it resulted in a disconnect between MCS and strategic planning and between MCS and operational control (Langfield-Smith, 1997; Otley, 1999). Second, it is a narrow view because it focuses on formal (and usually accounting) controls without setting them in their wider context (Ferreira and Otley, 2009). Over time, this approach has been developed to accommodate a more comprehensive understanding of MCS to encompass influencing behaviors to ensure aligning with strategy and goal congruence (Flamholtz, Das and Tsui, 1985;...
Anthony and Govindarajan, 1995). While Simons (1995, 2000, 2014) stressed the role of MCS in influencing strategic processes as MCS viewed as the means used by managers to successfully implement their intended strategies. Other scholars viewed MCS as the systematic use of management accounting accompanied by other forms of informal control such as personal or cultural controls to achieve some goal (Chenhall, 2003). Merchant and Otley (2007), proposed a comprehensive view that covers the whole strategic process (strategic formulation and strategic implementation).

Strauss and Zecher (2013) conduct a study to determine the most prominent MCS frameworks appearing in textbooks as well as in research paper. The authors found that the most used framework is Simons’ (1995, 2000, 2014) levers of control. In his seminal work (1995), Simons provided a framework for analysing how managers use (MCSs). The framework consists of four levers which should be used simultaneously to balance the needs for control and creativity in a control model: Beliefs systems to control core values; Boundary systems to limit risk taking; Diagnostic control systems to evaluate strategy implementation; Interactive control systems that enable learning and formulation of new strategies. In his view, Simons argued that most (MCSs) have a relatively similar design, however what really makes the difference is the way by which they are used (Strauss and Zecher, 2013).

The object of control framework of Merchant and van der Stede (2011) also is one of the most frequently used frameworks in textbooks. The framework differentiates among results controls that focus on the outcomes of employee behavior, action controls that monitor activities and processes and more informal controls such as personal (e.g. employee selection and training) and cultural controls (e.g. corporate culture, incentive system) (Strauss and Zecher, 2013).

The control package framework of Malmi & Brown (2008) is also one of the most discussed frameworks in research paper and empirical studies. The framework comprehensively views MCS as a package, addressing the gap between research and practice, expanding the traditional “command and control” view of primary financial cybernetic control systems (narrow vision) by incorporating performance measures systems, informal controls and cultural controls (broad vision). This broadly comprehensive framework will be discussed in more details in the next section. The author of the thesis subscribes with the notion that MCS approaches do not operate in isolation, but rather they co-exist with more informal controls such as (cultural and personal controls) and thus it is important to gain more knowledge about this holistic approach.
3.2.1 MCSs Design, a contingent perspective

Until 1950s, people held the belief that one organizational setup was optimal for all organization, following the theory of bureaucracy developed by Weber. In management accounting (MA) context, the core question was how best to implement bureaucratic technical control. Unsurprisingly, formal control such as budgetary system was dominant at that time (Kieser, 2001). During 1960s, the dogma of bureaucratic control being the universally best means of control was discarded and the quintessential notion of contingency theory “it depends” began to discuss. From 1970s upwards, contingency theory was firmly established as the dominant approach in organization theory and MA (Otely, 1980). It states that no single control or MCS is optimal in all situations and that organizations’ structures are contingent i.e. dependent on contextual factors. According to Otely (1980 p 413), “a contingency theory must identify specific aspects of an accounting system which are associated with certain defined circumstances and demonstrate an appropriate matching”. In other words, contingency theory aims to determine and explain relationships between independent contextual variables on the one side and dependent organizational variables on the other, using quantitative statistical analysis. This is based on the assumption that an organization is an open system whose viability is critically dependent on a fit between dependent and independent variables. Strategy implementation has become problematic since it does not occur in a vacuum, as different operating environments will need different strategic initiatives and, in return, may require different MCS. Otley’s, (2016) research assumes that in forty years research on contingent theory, there has been a shift in the variables or measures that are used for analysis. This deemed necessary by the author because the existed management control ‘packages’ are continually changing and developing, hence there is a need of studies that can follow these changes over time and seek to explain the mechanisms that are observed to be deployed. Otely (2016) observed that studies have tended to extend concentration in a broader sense of variables that were later classified as independent variables that are different and determine dependent variables of MCS design and use. The following are some example of variables.

- **Independent variables**

Independent variables can be grouped into external and internal variables (Otely, 2016). The most common external variables can be: technology, market competition or hostility, environmental uncertainty and national culture while the most common internal variables can be: organizational size, structure, strategy, compensation systems, and information systems,
psychological variables (e.g. tolerance and ambiguity), employees’ participation in the control system, market position, product life-cycle stage, and systems change.

- **Dependent variables**
The most examined dependent variables are (Otely, 2016): performance, performance measures, budgeting behavior, management control systems design and use, effectiveness, job satisfaction, change in practices, and product innovation. The most dominant dependent variables are performance, effectiveness, and design of systems being the most common used as outcome variables.

However, the assessment of MCS in public organizations is not an easy task due to the complexity of their environment. Otely (2016) argue that it is important to understand the interactions between multiple contingent and control factors in determining the effectiveness of control system design. Otely (2016) mentioned one approach of the classification of contingency studies on management control by the level of analysis complexity. The classification is divided into three levels. First, contingent independent variable is correlated with one dependent variable. Second, the joint effect of multiple contingent variables on one dependent variable. These variables can be moderating or mediating variables and not necessary to be independent variables. Third, the effect of the fit of multiple independent variables on several dependent variables, yet this has been relatively rare. To give an example on the first category, it has been argued that public organizations suffer goal ambiguity (Merchant & Van der Stede, 2007). This is problematic because managers will not have KPIs, which are basically based on organizations’ goal. So, based on the contingent approach, goal is independent variable that can interact with performance as a dependent variable and the interaction will have its impact on the design of MCS.

In sum, *Contingency theory* provides a major framework for organizational design (Otely, 2016). It holds that the most effective organizational structural design is where structure fits the contingencies. In other words, universal solutions to problems in organizational control generally do not exist and that particular features of an appropriate accounting system will depend upon the specific circumstances in which an organization finds itself (Otley, 1980). Much of the empirical contingency-style MC research emphasis the significant of consistent fit between a company’s context, its business strategy and its MCS. Put simply, there is no optimum MCS. Otely (2016), argue that the notion of the role of contingency theory is beginning to change as many empirical researches performed to identify the key
contingencies from which prescriptions to suit different sets of circumstance could be developed. However, it is unlikely to develop optimal overall model that can fit in all possible combinations of circumstances, more dynamic approach that includes more process-based models is still needed (Otely, 2016).

3.2.2 Control package

a. Introduction

Figure (2) shows the control package framework of Malmi & Brown (2008)

The idea of MCS operating as a package has existed for decades (Otely, 1980). Yet, there has been little explicit theorizing on the topic (Simons, 1995). Malmi & Brown (2008) has introduced their framework, the so called “control package”, to address this gap. The core idea of this framework is that different types of controls can be co-existed and used in parallel and in a complementary manner, constitute MCS packages (See the figure above). This is based on the authors observation that, in real-life, organizations tend to employ large and complex combinations of different controls. The authors argue that understanding MCS as a set of relatively independent controls would be more suitable than assuming a consciously designed system of interdependent MC practices (Grabner & Moers, 2013). They emphasized the idea that different controls can be implemented and used by different departments and individuals at different times and hence work together as a control package.

MCS is often viewed as a metric system financial bottom line oriented, yet this is a narrow vision. Control tools are of various kinds; administrative controls, formal planning and monitoring and cultural controls i.e. a broad vision (Malmi & Brown, 2008).
b. The framework

At the bottom line of the model is administrative controls which can be divided into three categories; organization structure, governance structure and policies and procedures. Administrative controls specifically direct and clarify which behaviors are desirable through the organization, monitoring of behavior, making employees to be held accountable for their behavior, specifying how tasks should be performed. The organizational structure can encourage certain type of contacts and relationships and reduce the variances in behavior (Malmi & Brown, 2008). Governance structure deals basically with the structure and the composition of the board and TMT.

While the center rows of the model deals with formal planning and monitoring. Planning contains long-range planning and action planning, cybernetic controls contains budgets, financial measurement, non-financial measurement and hybrid measurement, and finally reward and compensation. Planning would be used to set the goals of the organization and the different functions in it. It is an ex ante form of control that can guide and direct the employees. Planning can be divided into; action planning which has a tactical focus for one year, and long-range planning which has a strategic focus. The objective is to create commitment among employees to these plans and this can be reached through employees’ involvement in setting these plans, especially the tactical plans. Malmi & Brown (2008) quoted Green and Welsh (1988) to define Cybernetic controls “By cybernetic, we mean a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the system and modifying the system’s comportment” (p. 289). Here the standards should be fair, reasonable and easy to follow while finding ways to improve the standards. Financial measures are either market-based measures (market value, stock value) or accounting measures (operating profit, ROE, ROA) (Merchant & van der Stede, 2011). Non-financial measures to include customer satisfaction and market share. Hybrid measurements are both a mixed measures financial and non-financial. The reward and compensation systems aim at motivating employees and create goal congruence. According to Merchant & van der Stede, (2011), there are positive rewards such as promotions and recognition and negative rewards such as superior interference in job, and no promotion.
On the top row of the model, cultural controls are existed and divided into set of values, beliefs and social norms. These controls are shared by members and influence their thoughts and actions (Flamholtz et al, 1985). Cultural control can be used to control behavior in three different ways; (1) Deliberately recruiting employees who enjoy certain desired values. (2) When the organization tries to change the values of their employees. (3) When the organization tells the employees how the organization wants and expects them to act. Values are belief systems (Simon,1995) and should be linked to strategy. Beliefs systems could be created and communicated through, for example mission statements and statements of purpose (ibid). While, symbol-based controls is illustrated visually, for example through clothes and mugs. Clans refer to distinct subcultures that exist within the organization (unit, division).

c. Arguments

Malmi & Brown (2008), offered three arguments to explain why MCS should be studied as package:
Firstly, MCS do not operate in isolation. So, it is important to recognize the links between various MCS, otherwise the way in which the considered MCS components relate to studied contingent variables will lead to erroneous conclusions. This is consistent with Chenhall (2003) who emphasized that studying specific MCS elements in isolation has “the potential for serious model under specification” (p. 131). This is also in line with Dent’s (1990) assessment of MCS contingency research. The researcher has argued that while some relationships have been found between some contingency variables and MCS, overall, the “relationships are weak and the conclusions are fragmentary” (p. 10).

Secondly, Malmi & Brown (2008) argue that many of the recent innovative approaches including ABC, BSC, VBM, TC, and rolling forecasting should not be studied and investigated in isolation to assess their influence on performance. Because any conclusion can be misleading, in particular, if the use and impact of a new MCS element is related to the functioning of the existing broader MCS package.

Thirdly, most of research on designing MCS focus on accounting-based controls (formal controls), while the impact of other types of control (such as administrative or cultural) has given less attention. So, by taking a broader package approach to the study of MCS, researchers can gain more information and develop better understanding to the business, which in turn can
facilitate the development of better theory of how to design a range of controls to support organizational objectives, control activities, and drive organizational performance. Moreover, this can enable researchers to develop better theory of the real impact of the innovative approaches such as the BSC, and how to design MCS packages.

3.3 PMS

In general, precise definitions of performance measurement have seldom been deliver. One definition by Neely et al. (2005, p. 1229) “…the level of performance a business attains is a function of the efficiency and effectiveness of the actions it undertakes”. For many years, researchers and practitioners have struggled to answer the question of how organizations should measure their performance (Fitzgerald accessed in Hopper, Northcott, Scapens, 2007). This can be traced back to the late 1980s when concerns raised about the ability of traditional financial performance measures to capture customer quality and innovation demands of the volatile competitive business environment. As a result, two major approaches have emerged; stakeholder approach and shareholder approach.

First, we have the stakeholder approach advocates who have stressed that traditional financial measures should be supplemented with non-financial measures that are closely linked to corporate strategy. They argue that a corporate has various goals whose evaluation cannot be confined to narrow financial indicators. Antony and Govindarajan (2007) suggest a PMS that able to address the needs of the different stakeholders through designing a blend of strategic measures: outcome and driver measures, financial and nonfinancial measures, and internal and external measures. Outcome and driver measures, in particular, are important to be explained. Outcome measures are typically lagging indicators as they indicate only the final result and tell the management what has happened. These measures report the result of a strategy (e.g. increased return on worked capital employed). On the contrary, driver measures are leading indicators as they show the progress stage of key areas in implementing a strategy (e.g. cycle time). These measures indicate incremental changes that will ultimately affect the outcome. They can be used at the lower levels of an organization. They can also have an impact on behavior in the organization through the focus on the drivers of key areas of the business. They track how well the goal is being achieve and encourage the employees to improve on this. It is important to emphasize that both outcome and driver measures are inextricably linked. For
instance, if they will indicate contradictions, this is mostly a signal that the strategy needs to be changed.

Second, the shareholder approach advocates who claimed that ‘new’ financial measures (e.g. EVA), based on the residual income concept, are the critical factor to improve performance. This is based on the assumption that measuring and rewarding activities that create shareholder value will finally lead to shareholder wealth (ibid).

Whether adopting a stakeholder or shareholder approach, organizational strategy must be translated into a set of objectives that are linked to clear measures. Accordingly, an organization must define and establish measurements in order to define performance. Measurements should be coordinated and aligned set of measurements (metrics) represents a measurements system that is suited to quantifying efficiency and effectiveness (performance) (Heckl & Moormann, cited in Brocke & Rosemann, 2010). Put simply, PMSs help an organization to define a set of measures that can reflect its objectives and then assess its performance in relation to them (Vieira et al, 2017). PMSs support an organization to achieve its goals and are critical to its survival and success (Chenhall, 2005; Ferreira & Otley, 2009). The goal of PMS is to implement strategy, which in turn defines the key success factors (Anthony and Govindarajan, 2007). So, the core idea is that if those key success factors are measured and rewarded then people will be motivated to achieve them (ibid).

Traditionally, financial budgeting has dominated the scene. Nevertheless, many organizations have recognized that this view is too narrow and that budgeting system has many weaknesses. The main critique is that budgeting system is, too expensive, time consuming, and static and complicated. Moreover, it is short-term planning tool usually for one fiscal year with only focus on hitting financial targets. Furthermore, it slows the response to market developments until it’s too late and stops companies achieving their real goal – continuous value creation (Hope & Fraser, 2003).

In recent year, management accounting has become more strategic, the so called strategic management accounting (SMA). The turning point in this regard can be traced back to the introduction of BSC by Kaplan and Johnson (1992). The aim was to replace the too one-sided financial focus in the planning and monitoring processes with a more balanced approach that integrate both financial and non-financial measures. BSC is a strategic approach that can enable organizations to see whether they had reached their financial goals and whether they had
executed all necessary actions to remain successful today and tomorrow (Kaplan and Johnson, 1992). According to (Nilsson, Westelius, and Halvorsen, 2016, p. 15), both (SMA) and MA differs in serval important aspects. First, SMA supports strategy formulation and strategy implementation. Second, SMA mainly focus on non-financial information. Third, MA is tactical decision- making while SMA is more comprehensive to include tactical, strategical and operational decision-making and acting. Fourth, SMA is designed for and adapted to the organization’s unique strategies.

Non-financial measures that support strategy implementation usually called key performance indicators (KPIs) (Anthony and Govindarajan, 2007). A well-formed KPIs should fulfill the SMART criteria: Specific, Measurable, Agreed, Realistic, Time-decided (Sobis and Okouma, 2017). Additionally, KPIs should be relevant to support the assessment of vision or goal, and trustworthy as people should feel confident regarding their accuracy (Burlton cited in Brocke & Rosemann, 2010). According to Fitzgerald accessed in Hopper et al, (2007), measurement is a mean to improve performance, it is not an end in itself. So, to be effective measurement must be “part of a feedback control system where corrective action is taken within the process (single-loop learning) and results are fed back into a consideration of future strategy (double-loop learning)” (p. 228).

Over the last two decades a number of PMSs frameworks have been developed including BSC (Kaplan & Norton,1992), Performance Pyramid (Lynch & Cross, 1991), and the Performance Prism (Neely & Adams, 2002). Yet, theses several frameworks have many things in common and even their main principles are largely consistent (Vieira et al, 2017, p. 4): (1) The selection of performance measures is based on organization’s vision and strategy; (2) There is a tendency to establish a holistic and balanced view of the organization’s success factors which are selected from a broad range of perspectives; (3) A limited number of critical success factors are developed to help an organization to focus mainly on fundamental issues; (4) the causality between the critical success factors is taking into consideration while designing the framework; (5) The measurement system is used to communicate and implement strategy.
3.3.1 BSC

BSC is a strategic management approach that has enjoyed widespread popularity throughout the world whereas many firms tried to shift their emphasis from being budget-focused to being strategy-focused. Based on the cliché, what you measure is what you get, the key performance indicators (KPIs) in BSC, received the most attention as it has assumed that they affect behavior (Nilsson et al., 2016). In the next section we will provide insights about this strategic approach.

3.3.1.1 Nature and Structure

Since the mid 1980’s MA has attempted to turn strategic. One of the most debated frameworks in the area of strategically oriented performance management is BSC. According to Kaplan & Norton (1996), BSC is a result of the desire to build long-range competitive capabilities while retaining traditional financial measures. It complements financial measures (outcome measures) of past performance with measures of the drivers of future performance. The objectives and measures view organizational performance from four perspectives:

- Financial (e.g., profit margins, return on assets, return on capital employed, cash flow)
- Customer (e.g., market share, customer satisfaction index)
- Internal business process (e.g. employee retention, cycle time reduction)
- Learning and growth (e.g. employee survey)

All of these perspectives derive from the company’s vision and strategy to balance external measures for shareholders and customers, and internal measures of critical business processes, innovation and learning and growth. In that sense, BSC goes beyond the narrow and myopic financial approach to expand the set of business unit objectives. So, BSC can be seen as a component of an organization’s strategic MCS (Nørreklit and Mitchell accessed in Hopper et al., 2007) that enables executives to measure how their business units create value for current and future customers and how they must enhance internal capabilities to improve future performance. BSC captures the critical value-creation activities and clearly reveals the value drivers for superior long-term financial and competitive performance, in the meanwhile, retaining through financial perspective, an interest in short-term performance (ibid, 2007).

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4 Recently, financial measures in public-sector context used not to be labelled outcome measures but rather output measures because the outcome measures concerning the quality of performance and the social benefit (Grönlund and Modell, 2006; Sobis and Okouma, 2017). Outcome measures are qualitative and used to be called soft metrics, while output measures are quantitative and used to be called hard metrics (ibid).
Indeed, before introducing the BSC, most organizations add non-financial measures to their financial measures and MCSs (Kaplan & Norton, 1996). Yet, many of these organizations used non-financial measures at their front-line operations while aggregate financial measures, that summarize operations at the lower and middle levels, were used by senior managers. In that sense, the measures were used merely for tactical feedback and control of short-term operations. BSC comes to stress that financial and non-financial measures must be part of the information system for employees at all levels. The measures are derived from a top-down process driven by the mission and strategy (ibid.1996). This is, BSC translate a business unit’s mission and strategy into tangible objectives and measures. Thus, BSC is more than just a tactical or an operational measurement system. Rather it is strategic measurement system that used to manage strategy over long term: (1) clarify and translate vision and strategy (2) communicate and link strategic objectives and measures (3) plan, set targets and align strategic initiatives (4) Enhance strategic feedback and learning (ibid.1996).

Figure (3) shows the BSC of Kaplan & Norton (1996)
3.3.1.2 The Cause and Effect Relationship

The cause and effect relationships are argued to be the distinctive feature that sets BSC apart from other kinds of scorecard (such as stakeholder scorecards and KPI scorecards) (Kaplan & Norton, 2001). The four perspectives measurements in BSC are linked in a casual chain where one perspective drives the other. The measures of learning and growth drive the measures included in the internal business processes that drive the measures in the customer perspective that eventually drive the financial measures (Nørreklit and Mitchell accessed in Hopper et al., 2007). Without this characteristic, a “true” BSC does not exist (ibid). Kaplan and Norton (1996b, p. 149) define strategy as “a set of hypotheses about cause and effect”. So, according to the authors, a properly constructed BSC should have a cause and effect relationship. Notwithstanding, BSC must be built on valid assumptions about the causal relationships, otherwise invalid assumptions lead to the anticipation of performance indicators which are faulty, hence resulting in dysfunctional behavior and sub-optimized performance (Bukh & Malmi accessed in Jönsson and Mouritsen, 2005). Furthermore, the cause and effect relationship in BSC, between two measurement areas or two measures, is not a generic that holds in any organization given any contingencies. Rather, this relationship holds in a particular organization given all its contingencies that reflect the organization’s strategy. Moreover, according to Kaplan & Norton (1996, p. 71) “not all customer demands can be satisfied in ways that are profitable to an organization”. So, customer profitability analysis is recommended to select the actions and associated performance measures. There are situations when organizations have endless choices of actions and associated measures that may have an impact on long term financial performance. The trick is to choose between those potential actions, this is strategy (ibid). Moreover, an organization should choose those actions which it can influence. Put simply, strategy is a set of hypotheses about cause and effect, some of these hypotheses may be right, others wrong. So, an organization should make their best estimate about the actions “strategy” that lead to desired outcomes. Measures should be derived from these hypotheses. This means that strategy implementation implies translation into operational terms that can lead to action. This is also consistent with a large body of the literature that emphasize the notion that strategy should provide the starting point for MCS (e.g. Anthony &
Govindarajan, 2007). An organization must have a clear strategy with clear priorities and agreement on the underlying causalities (what actions will produce the desired outcomes).

3.3.1.3 **BSC is a strategic focused MS**

According to (Kaplan and Norton, 1996b), BSC can be used as a PMS as well as a strategic management system as managers can use it to introduce four management processes to link long-term objectives with short-term actions, rather than rely on short-term financial measures:

- Firstly, translating the vision: Since it supports managers to get a clear consensus on the metrics they will use in describing their visions and strategies.
- Secondly, communicating and linking: Since it helps managers to ensure that all levels of the company can understand the long-term strategy through clear communication with all employees. BSC links the strategy to individual objectives and aligning employees’ individual performance with the strategy through; communicating and educating, setting goals, and linking rewards to performance measures.
- Thirdly, business planning: through the linkage between strategies and goals emphasized in the BSC, managers have no option but to combine their financial and business plans to support strategic goals. This in turn would enable managers to identify and undertake the important strategy initiatives of their long-term goals when they allocate resources and set priorities based on four perspectives measures.
- Fourthly, feedback and learning: BSC helps organizations to perform adjustments or introduce new strategies when it is necessary. In that sense, organizations can get feedback on whether they have achieved their budgeted financial goals, monitor short-term outcomes and evaluate the existing strategies.

Thus, BSC can be used as a strategic management system by managers and this would allow an organization to adjust its management process and focus on implementing a long-term strategy.

3.3.1.4 **Using BSC in the Public-Sector Organizations and Institutional pressure**

BSC has been widely used by Scandinavian firms for developing a framework for performance measurement and management (Bukh and Malmi accessed in Jönsson and Mouritsen, 2005). In public sector, BSC is commonly used as a stakeholder model, but instead of mapping each stakeholder’s expectation, which is very complex, organizations use these expectations as a...
starting point (ibid, 2005). In Sweden, the use of the BSC has risen sharply amongst Swedish local government organizations such as hospitals, universities, courts, and schools (Hellström, Jönsson and Ramberg, 2009). It has been argued that the institutional pressure from society has played a key role in adopting the BSC in public organizations as it has become a trend, especially in local government organizations (e.g. Dolnicar, Irvine and Lazarevski, 2008). This is consistent with institutional theory that assume that organizations are influenced by society's prevailing rules and expectations to survive (Rautiainen, 2009).

In the public sector, users such as politicians, managers and councils view BSC as a very useful control tool (Lilian Chan, 2004). BSC was originally introduced to be used in for-profits organizations, yet BSC can be implemented in the public sector as well (Kaplan, 2001; Kaplan & Norton, 2001). Public sector operates under different conditions than the private sector, for which the BSC was initially constructed for. One of the distinctive features is the vision which is not set by management as in private sector, rather by government who set up tasks and targets for the different municipality functions. Kaplan & Norton (2001) argue that BSC can be implemented in the public sector through relocating the customer perspective to replace the financial perspective at the top of the hierarchy. Thus, BSC is applicable to all types of organizations. Unlike the private sector, the primary objective of the public sector is not to maximize profits, rather to serve the citizens. So, in public sector, usually the direct and immediate economic benefit is missing. Kaplan & Norton (1992; 2001), argue also that using BSC in public sector organization is very useful to increase democratic accountability and responsibility. They emphasized that BSC is a very helpful tool to measure performance and increase accountability and responsibility. This also consistent with other studies including Aidemarkerk (2001), and Hellström, Jönsson and Ramberg, (2009). Public sector organizations are characterized by customer focus and quality of services, which indicates that non-financial factors are equally important to the financial ones (Aidemarkerk, 2001). The multidimensional control of BSC enables managers to consider financial and nonfinancial performance (Dolnicar, Irvine and Lazarevski, 2008). Nonfinancial dimensions in the public sector include customer satisfaction, advanced services and employee skills (Khaki, Najafi & Rashidi, 2012). Public Sector does not exist to make a profit. It is mission driven institution. In that sense, BSC measures more than just one dimension and that is why the BSC fits into the Public Sector. BSC creates a balance between both dimensions (Wu and Chang, 2012). Wisniewski and Ólafsson (2004) argue that customer satisfaction is the ultimate goal of performance measurement. In
their views BSC fits in public sector organizations in which the focus is not only on costs, but also efficiency and effectiveness (quality) in the provision of public services.

In Scandinavia, local government organizations are characterized by customer focus and hence service quality is important. In the public sector, customers are clients, students, patients and citizens, and the owners are the parliament and the government (Talbot, 1999). So, there is a need for a multidimensional control tool that encompass both financial and non-financial measures. That is why the BSC fits into the public sector (Aidemark, 2001; Olve, Roy & Wetter, 2000). Olve et al. (2000) suggests implementing BSC in Swedish municipalities through having focused key ratios and performance measures against a benchmarking system towards other municipalities. Hällstén and Tengblad (2006) noted that in the Swedish public sector, in many cases, the employee perspective replaced the organization’s ability to learn and grow perspective since the latter perspective is used to be widely discussed in organizations’ annual reports as the conclusion drawn from the measurement of all BSC dimensions. While, Ericsson & Gripne (2004) suggest adding a fifth perspective in BSC for employees since the personnel side in a municipality setting is by far the largest side of cost, 50-70 % of the cost in the organization.

In sum, four advantages of implementing BSC in public sector can be highlighted:

1. BSC can be used by management to decide on strategies and targets based on non-financial performance.
3. Support strategy implementation (ibid)
4. Identification of customer satisfaction as the ultimate goal of performance measurement (ibid).

Nevertheless, implementing BSC in public sector is not flawless. For instance, it has been argued that the definition of customer and stakeholder is very complicated, due to the variety of customers and stakeholders (Wisniewski and Ölafsson, 2004). This in turn make it hard to map the strategy and complicate the process of the implementation. Moreover, the lack of financial goals (ibid). Finally, the focus of BSC on the performance measures – what gets measured gets managed, others will decay (Norton & Kaplan 1992).
3.3.2 NKI (Customer satisfaction index)

Since it is very common for the Swedish housing companies to use this index, it is necessary to discuss it. A similar index is used for employees’ satisfaction and called NMI. According to Sabo (2018), the analysis models for NKI and NMI are constructed in exactly the same way. Therefore, only the term NKI is used in the continuation of the model below. The analysis model is based partly on a measure of overall satisfaction, NKI, and partly of a number of questionnaires intended to reflect different parts of the investigated activity. Each questionnaire is measured in turn by a number of questions. The strength of NKI lies in its ability to read out which areas, from the customer perspective, that the company needs to work more with. It is a customer-centric approach that based on the customer's assessment of the business and the value provision. Therefore, it can also be said that value-creating processes, from the customer's perspective, can also be derived from NKI. Thus, if NKI is integrated in MCS, it can guide the organization to the area of weakness that need to develop and strengths that need to continuous as they are. NKI overall satisfaction is measured by three specific questions, the structure of which is the same for all surveys, namely:

- How are you satisfied with the company, in overall?
- How well are the expectations of the company fulfilled?
- How close or far from the ideal you think the company is?

The aforementioned, along with a number of other queries in specific business areas, form NKI. The questions and related issues are determined in dialogue with the company. The questions are answered on a 10-degree scale, with 1 being the lowest grade and 10 being the highest grade. The grade is then converted to grade index. This means that the results are converted to a new scale ranging from 0 to 100. The higher the index value, the more satisfied is the question area. A score below 40 can be classified as "not satisfied" while the "satisfied" limit reaches 55 and a rating index of 75 or higher indicates "very satisfied".

One way of visualizing NKI is to compile the result in an action matrix where we can place factors in a plane in which the grade is on the y axis and the effect that changes on the x axis (see figure 4). The factors that fall in the first and fourth quadrants are those that should be prioritized in the improvement work, as they have the greatest effect on customer satisfaction, especially the fourth quarter quadrants, which have a low rating combined with a high effect.
The factors that end up in quadrant two, and thus have a high rating but little effect should be retained as they are, and hence the company should not allocate more resources with them. Quadrant number three contains factors that have a low rating and have a low effect on NKI, which means that they should not be prioritized as high as the factors in quadrant four.

3.3.3 PMS framework of van Helden and Reichard’s (2016a)

In their research paper van Helden and Reichard’s (2016a) examines the commonalities and differences between performance management practices both in the public and private sector, using 80 publications in international academic journals over the last 20 years. The authors develop public sector framework which links the dimensions of the public/private-distinction (ownership, funding, control and type of goals) to the design and use of PMS. The authors have used two different sources for classifying of PM.

The first classification is based on the stages in the lifecycle of PMS, which consists of four stages; design, implementation, use and assessment/evaluation (Johnsen, 2005; van Helden, et al., 2012). In their view, van Helden and Reichard’s (2016a) consider PM design and use as the most important stages and hence they chose to focus on just these stages.

First, Design stage set the course and foundation for the PMS as many important decisions should be taken such as the purposes, concept, procedures and tools of the PMS. The concept of a PMS is based on its purpose (e.g. for budgeting, internal steering or for rendering accountability) and hence the design should serve this purpose and adjusted accordingly. This to align the design and KPIs with the goals of the organization, accordingly decide on whether KPIs are financial or non-financial or mixed as well as deciding on the number of KPIs. In the
design stage, a certain PM frameworks will be chosen for implementation such as the BSC (Kaplan and Norton, 1992).

Second, In the use stage, how PMS is being used; the intensity and the way in which managers use performance information to take decisions, i.e. their style of use (e.g., by using accounting numbers in a more rigid or flexible way (ter Bogt, 2003), and whether PMS use is mainly functional/ rational or symbolic (Modell, 2009).

The second classification is based on the most prominent MCS frameworks appearing in textbooks and in research paper (Strauss and Zecher, 2013); Otley (1999) framework which has been used for structuring PM-practices. The aim of this framework is to “integrate elements of management and strategic control, wishes to broaden the organizational goals beyond financials, and claims to be holistic by highlighting the interconnections between components.” (Helden and Reichard, 2016a, p. 4-5). In the framework, Otley (1999) distinguishes five issues: Organization’s objectives, organization’s strategies and plans, target levels for PM, rewards and penalties in relation to PM, information flows which to facilitate learning. van Helden and Reichard (2016a) argue that Organization’s objectives, and organization’s strategies and plans can be integrated into a single aspect; the extent to which the PMS is strategy-linked.

van Helden and Reichard (2016a) have combined the two described frameworks and categorize PM-practices in one analytical framework, in their words (p. 5):
1. Design: the variety and types of goals which shape the performance management system.
2. Design: the extent to which the performance management system is strategy-linked.
3. Design: the target levels for the identified performance indicators.
4. Design and use: the rewards for achieving the targeted performance levels.
5. Use: the type of use of performance information, especially its intensity and functionality.

The authors did not see information flows to facilitate learning as a distinctive feature that differ between the public and private sector and hence they decided to exclude it. So, the expected implications of the four dimensions of public/private differences (ownership, goals, funding, and control) for PMS design and use are the following:

First, Ownership and goals: Ownership and goals are tightly connected and hence cannot be discussed separately. In private sector the owners are the shareholders while in public sector ownership is far more dispersed in their structure and hence diverge interests. As a result,
private sector has clear goals while public sector has quite complex, often diverging and ambiguous goals. This in turn has implications for PMS and strategy. The design stage of PM in public sector organization is a very complex task because the design should cover various goals and serve more diverging interests than private sector PMSs that focus mainly on financial measures to maximize the shareholders’ value. For strategy, due to the clarity of goals in private sector, we would expect a PMS that is explicitly strategy-linked. On the contrary, in public sector, the lack of goal clarity can lead to diffuse link between strategies and the PMS. While in the use stage the authors expected that, in public sector, performance information will be used less intensively, more accountability oriented and in a more symbolic way, in order to serve partly conflicting goals. In private sector, the use of performance information is expected to be more intensive and rational/functional, flowing from the top level and down throughout the whole organization, mainly for steering and controlling. Goal differences are expected to have their implications on the design and use of the PMS. In the design stage, goals will affect the types of KPIs (financial or non-financial or even mixed). While in the use stage, the heterogeneity and complexity of performance information may lead to confusion to use it. Goal clarity also has its impact on the reward system. the goal-related performance indicators are relatively easier to measure in the private than the public sector and hence we could expect a more developed reward system.

Second, funding: Even funding can be expected to have its implications for the reward system which the authors assumed to be more developed in the private than the public sector. Private sector operates under stronger and more univocal external pressures so we could expect more developed financial incentives to encourage employees. This also support the assumption that PMS use in the public sector will be less intensive and mainly symbolic while in the private sector to be more intensive and mainly functional.
Table (3) shows the expected implications of the four dimensions of public/private differences (ownership, goals, funding, and control) for PMS design and use. Source: Helden and Reichard (2016a, p. 6)

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Characteristics of the public sector</th>
<th>Implications for performance management</th>
<th>Characteristics of the private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>Government as owner, dispersed ownership rights and consequently diverging interests, lack of goal clarity</td>
<td>Complex design to serve many stakeholders</td>
<td>Focused design with emphasis on financial aspects</td>
</tr>
<tr>
<td></td>
<td>Link between strategy and PMS design diffuse and weak</td>
<td>Use not intensive, mainly for accountability; partly symbolic</td>
<td>Use intensive, mainly for steering and controlling; mostly functional</td>
</tr>
<tr>
<td>Goals</td>
<td>Effectiveness is main goal</td>
<td>Performance indicators focus on societal relevant activities or services; poor measurability of performance</td>
<td>Performance indicators focus on total profit or profit margins per product; good measurability of performance</td>
</tr>
<tr>
<td></td>
<td>Performance-based pay systems more difficult due to low measurability of outcomes</td>
<td>Performance-based pay systems more developed because outcomes are easier to measure</td>
<td></td>
</tr>
<tr>
<td>Funding</td>
<td>Funding detached from service delivery (tax revenues)</td>
<td>Low pressure on operations, Targeting and Performance-based reward systems weakly developed</td>
<td>High pressure on operations, Targeting and Performance-based reward systems strongly developed</td>
</tr>
<tr>
<td></td>
<td>Less intensive and mainly symbolic use</td>
<td>Intensive and mainly functional use</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>Control by multiple stakeholders at different layers, weak incentives</td>
<td>Complex design to serve diverging stakeholder interests</td>
<td>Simple design to serve shareholder interests</td>
</tr>
<tr>
<td></td>
<td>Targeting and Performance-based reward systems weakly developed</td>
<td>Targeting and Performance-based reward systems strongly developed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use not intensive, mainly for accountability; partly symbolic</td>
<td>Intensive use through tight control; use mainly functional</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control by the market and by shareholders, strong incentives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Third, *Control:* Due to the fact that control in the public sector should serve multiple stakeholders and that the related incentives are rather weak, the authors expect that PMS design will be more complex in comparison to the private sector. This also support the discussed above PMS implication of the ownership dimension. The authors expect that the mode of control will be relatively more ‘hard’ in the private sector and more ‘soft’ in the public sector, at the same time they expect rewards system can offset this as they expected that monetary rewards, will be more important in the private than the public sector. To sum up this part in their words, “Some public-private sector dimensions have similar impacts on PM. Both the ownership and the control dimension are expected to lead to a complex PMS in the public sector and a simpler and financially focused PMS in the private sector. In addition, the ownership, funding and control dimensions give rise to less intensive and partly symbolic performance information use in the public sector and to more intensive as well as functional use in the private sector” van Helden and Reichard’s (2016a, p. 7).

Relying on the theoretical analysis of the links between public-private differences and PM design/use (table 1) and on a first exploratory literature review, a set of propositions for the study of public-private differences of performance management has been established by the authors. In particular, the following six propositions:

**PROPOSITION 1:** Multidimensionality of the PMS
The authors expected that PMS in public sector will be characterized by multidimensionality to serve the interests of different stakeholders.

**PROPOSITION 2:** Strategy link of the PMS
The authors expected that PMS linkage with strategy in public sector will be relatively weak due to the goal ambiguity.

**PROPOSITION 3:** Role of targeting
Due to difficulties in measuring relevant performance aspects and targets to evaluate performance in public sector, the authors expected more procedural control systems

**PROPOSITION 4:** Role of monetary reward systems
The authors expected that the system will be less developed in public sector, among other things, due to the lack of monetary incentive.
PROPOSITION 5: Purpose of PMS-use
As the authors stated “Public sector organizations are using their PMS more for accountability than control purposes, because democratic accountability is central in the public sector, but also due to ‘soft controls’ and to a low involvement of relevant stakeholders in controlling” (van Helden and Reichard, 2016a, p. 8).

PROPOSITION 6: Type and intensity of PMS-use
The authors expected that the use of PMS in public sector will not be very intensive and often only for symbolic reasons, as a result to poor incentives, a low interest of (political) stakeholders and to sometimes dubious and diffuse measurement results.

Based on a literature review of 80 articles from well-respected international journals, the authors found support for propositions 1 and 5, the remaining propositions either were only partly confirmed or partly rejected, or the results were diffused.

Based on this study, Van Helden and Reichard’s (2016a), cited in Grossi et al. (2017, p. 382), has established a framework in which the authors argue that a PMS of a hybrid organization will be typically characterized by a number of features:

1. Explicitly multidimensional PMS design due to the large variety of goals;
2. The linkage between PMS and organizational strategies will be quite diffuse as both concepts will only be loosely coupled;
3. Clear and measurable targets will be used to a moderate extent because of measurement challenges inherent in non-financial targets;
4. Performance information (PI) will be used as basis for monetary rewarding of staff only to a modest extent because of measurement problems and cultural differences;
5. Use of PI in hybrids will generally be medium intensive; PI data will be used more for accounting to external stakeholders than for internal steering. The authors called for more empirics to test these propositions and this thesis take this stance as a response to the call. So, all the proposition will be tested and assessed using the two-case study which will be discussed in the next chapter.
3.4 Summary

We have mainly three themes that have been discussed in this chapter; public sector organizations business environment, MCSs frameworks, and PMSs frameworks. For the working environment of public sector organization, under the umbrella of NPM, starting from 1990s, major reforms have been witnessed in the public sector adopting business-like concepts mainly to improve monitoring and accountability. Social enterprises are hybrids organizations because they simultaneously combine various elements of both social welfare and commercial logics. As many public sector organization are expected to comply with multiple logics such as business logic in the wake of NPM, logic of compliance to laws and regulations (EU, state, and municipalities), and social logic because they mainly exist to serve the public interest. Three ways have been suggested in academia that may address this dilemma, resolving tensions, and eliminating conflicts between these logics. First, By Keeping the conflicting logics separate through decoupling mechanisms. Second, compromising mechanisms that used to reconcile conflicting logics through finding an acceptable balance between them. Third, combining elements of the multiple logics that can be used to reconcile conflict, such as selective coupling of practices. It has been argued that, through decoupling accounting can keep competing logics separate and thus sustain persistence of existing arrangements and resolve conflicts.

Contingency theory provides a major framework for the design of MCSs and PMSs (Otely, 2016). It holds that there is no optimum or universal MCS that can be applied to all cases, contextual factors play key roles in this regard. I am in line with Malmi and Brown (2008) that MCSs should not be studied and investigated in isolation to assess their influence on performance but rather should be studied as a control package. In recent years, management accounting (MA) has become more strategic, i.e. SMA. Relying on financial measures is no longer adequate and hence a need has arisen for multidimensional control tools that encompass both financial and non-financial measures such as BSC. BSC can be used as a PMS as well as a strategic management system as managers can use it to introduce four management processes to link long-term objectives with short-term actions, rather than rely on short-term financial measures. That is why the BSC fits into the public sector. Indeed, BSC is very popular in Swedish public organizations.
CHAPTER IV: EMPIRICS

4.1 Case context: An overview of the Swedish Municipal Housing

According to Turner (1999), Sweden has a tradition of a well-developed housing policy with a large share of subsidies channelled through plenty of instruments such as tax reductions for interest payments. The history of not-for-profit rental sector traced back to the time after the Second World War, particularly in 1948 when the parliament decided on modern Swedish housing policy, establishing public not-for-profit competitors on the rental market in order to provide housing to a wide range of households and make up for any construction shortfalls by the private sector (Lindbergh, Larsson and Wilson, 2004). The state intervened with providing subsidized loans to companies with active municipal involvement, either through direct municipal ownership or under municipal control, incentivizing the creation of local Municipal Housing Corporations (MHCs) (Terner Center for Housing Innovation, 2017). One concrete example is the Million Homes Programme in the 1960s and early 1970s, which was state-subsidized rental housing built mainly by MHCs. The programme led to a big increase in ‘affordable’ and low-cost rental housing, i.e. social housing (Lind cited in Scanlon, Whitehead and Arrigoitia, 2014). Therefore, in the 1970s and 80s, the construction of public housing contributed significantly to the increase in the number of dwellings, covering more than 75% of new rental dwellings (OECD, 2007). In the 1990s, subsidies to MHCs were abolished and thus the rate of new construction has decreased, but still remains at around one half (ibid). At the same time, the private sector has not made up for this decline, particularly in terms of supply of affordable housing (Emanuelsson, 2015). The private sector has seemed to be less motivated to make large investment due to low returns for investors and tight regulations (OECD, 2017). Indeed, Swedish rental regulations are among the most rigorous in the OECD (ibid). Consequently, the dwelling stock has failed to keep up with increase in demand since 2005 (ibid).

Today, we have about 300 MHCs which are owned by their respective municipalities, where About 1,4 million inhabitants live in MHCs (allmännyttan.se, 2018). MHCs are of very varying size, ranging from 21 to 26500 apartments. The Swedish municipalities have the upper hand in managing the non-profit sector which is basically organized by means of municipally owned limited companies, in which the municipalities hold all the shares (Turner, 1999). Law gives the municipality the sole right to land use and granting building permits and the municipality
decides when and where housing is to be built. Furthermore, in Sweden, there is no right to buy and hence both private landlords and MHCs must agree to sell. However, municipal companies have a moral and political obligation to cater for all types of households (Turner, 1999). This is consistent with the goal of Swedish policy that aims to provide shelter at a reasonable cost within the framework of an often-time speculative market system. Housing allocation is wholly driven by need, maximum income is never used as criterion (ibid).

According to Lind cited in Scanlon et al. (2014), in 2010, Sweden had almost 4.5 million housing units. Tenure forms among this are: 37% rental units, 22% cooperative apartments (tenant-owned apartments) often in blocks of flats, and 41% owner occupied single-family houses. MHCs own about 45% of rental apartments i.e. around 20% of the housing stock in Sweden (ibid).

Two main changes have brought major implications to the MHCs’ position in the market over the past three decades (ibid). First major change came in the early 1990s, when NPM ideology was introduced in the public sector in Sweden, following the serious economic crisis that the country was witnessed. A Grand Restructuring was implemented in 1991 by the newly elected, back then, center-right government coalition (Hedman, 2008). The coalition began dismantling the social democratic housing policy in favor of a more neoliberal approach. These efforts encompassed two broad policy goals of privatizing the housing market and facilitating ownership. The state started to withdraw from direct public housing provision subsidization through privatization of public housing which basically aimed to transfer risk to local municipalities and house-owners. State housing loans and preferential tax treatment for MHCs were stopped. So, MHCs were no longer preferentially treated, which in turn has forced them to directly compete with private sector on equal terms (ibid). As a result, MHCs have begun to take a more professional approach to run their operations with suppliers and customers. A clearer line has been demarcated between the MHCs and the municipalities’ social service departments.

The second major change came on 1 January 2011, when a new law, The Municipal Housing Companies Act, was issued. The law came as a response to a complaint submitted by the Property Owners Federation argued that subsidies to MHCs were in breach of EU competition law and regulations (Lind cited in Scanlon, Whitehead, and Arrigoitia, 2014). The reason behind that is that social housing which is often viewed in competition, if not in conflict, with
the interests of the private sector. The complaint left the Swedish government with two options; either the MHCs could be open to anyone and act in a ‘businesslike way’ or they could receive subsidies and just focus on accommodating households with low incomes i.e. social housing. The latter alternative was rejected by all Swedish political parties, instead the parties agreed upon the new legislation stated that MHCs should act in a completely liberalized way “businesslike principle”, believing that this would improve the functioning of the rental market. Yet, it is important to emphasize that the law does not state that MHCs should maximize their profits.

According to Czischke cited in Scanlon et al. (2014), the new law implies that MHCs should no longer apply the cost-based rent principle, rather they should charge households market rents, including a certain profit margin. According to (OECD, 2017), before the new law, any increase of rent had to be negotiated between landlord and tenant associations and the outcome would be applied to the entire rental stock. This in turn led to low rents in relation to housing prices in the areas of high demand, which gave little incentive to investment and encourage conversion of rental dwellings to cooperatives. The new law has given private landlords the right to participate in annual rent-setting negotiations with the Swedish Union of Tenants on the same terms as the MHCs. This also was expected to push rents towards market levels. The main rationale behind market levels rents is that it would protect tenants against sudden jumps in rents.

Therefore, a big shift in the mindset has been witnessed toward private sector driven housing markets, reduction of direct state risk and financial efficiency. The new legal framework implies also that municipalities should determine a market rate of return on investment, in accordance with industry practice and level of risk. Nevertheless, the new legalization does not demand MHCs to maximize their profits.

Thus, one may draw a conclusion that there is no longer social housing in Sweden since all the political parties have decided that there should be no discrete part of the housing stock that benefits from special subsidies to the builder/owner and is reserved for low-income households (Lind cited in Scanlon et al., 2014). Yet, this is a narrow view of social housing, a broader view would encompass the policies that focus on households with low incomes or major problems competing on the open market (ibid). Some of the households receive housing allowances or social welfare payments that cover part of their rent. Moreover, social authorities may provide
‘trial’ or ‘training’ apartments to those households with social problems. Also, people who suffer from mental and/or physical handicaps are offered long-term and institutional apartments. Furthermore, authorities provide temporary accommodations to refugees, homeless people and those with drug problems.

However, the new law has made a clear cut between the responsibilities of housing companies and those of the social authorities (ibid). The law has stressed the responsibility of MHCs to build and manage housing estates in a professional way that is aligned with what is best for the company. There is no longer special or direct relation between the social authorities and MHCs. Those households with social, mental or physical problems and cannot find houses that are suitable for their needs in the market, should go to the social authorities. The latter in turn can discuss various solutions with either private or municipal landlords, depending on how the social authorities work with housing issues (ibid). Social authorities work with this by various ways, for example, they may have contracts with low-quality hotels to provide accommodation to those in need, or through helping others to rent temporary accommodation, or even by making minor renovations to bring run-down properties into use and accommodate people. In other words, now social housing is run by municipal social authorities instead of MHCs (ibid).

Notwithstanding, rents in the country are set based on negotiations between the landlord and the Tenants’ Union and the outcome is largely depending on the relative strength of the two parties. Under the new legalization, this system has been maintained, but with a major change; rents are to be based on negotiated rents for other comparable units in any ownership, private or public (Czischke cited in Scanlon et al., 2014).

It is very important to mention also, despite that subsidizations to MHCs have been stopped, yet housing production has not completely been left to the market. The municipalities still have a planning monopoly over land that reduce the supply so the respective municipality has the right to reject any project with no appeal right for the developer against the decision (Lind, 2015). Moreover, municipalities have become increasingly restrictive towards new construction, imposing special technical demands. This in turn reduced the number of housing projects, especially those targeting low-income households (ibid).

To sum this part up, nowadays there is no special subsidized housing stock in the country. Sweden adopts a universalistic approach to housing provision (Scanlon, Arrigoitia, Melissa and
According to this approach, housing is viewed as a mechanism for providing for all types of household regardless of gender, age, origin or income. MHCs play a major role in enabling this since they own around 20% of the housing stock which is considered as ‘public utility’ housing or ‘for the benefit of all’ (*allmännyttan* in Swedish).

### 4.2 MKB Fastighets AB

#### 4.2.1 Background of the company MKB

According to mkbfastighet.se & MKB Annual Report (2017), MKB Fastighets AB is a municipality owned stock corporation located in Malmö. MKB is owned by Malmö Stadshus AB which in turn totally owned by Malmö municipality. The company was founded in 1946 to become Malmö’s leading player at the housing market during the last 60 years and one of Sweden's largest public “not-for profit” housing companies. The shift to market orientation can be traced back to the early 1990s when the company suffered an economic crisis and had high vacancies in its suburban units (Scanlon et al. 2014). To tackle this problem, the company reduced rents in the suburbs and increased them in the city center. With 23,038 apartments and 1,026 commercial premises, MKB is the largest real estate company in Malmö and one of the largest MHCs in Sweden. By virtue of its size and ownership, MKB has a special responsibility for the housing market in Malmö. MKB’s market share of rental rights in Malmö is 32%. While, out of the total housing stock in Malmö, MKB owns 15% of the market share.

Despite the relatively weak growth in other parts of Sweden, MKB has successfully delivered good results in 2017. At the end of 2017, MKB had a turnover of 2.1 billion Swedish kronor and the housing stock using the market value amounted to 32.9 billion kronor, an increase with 2.3 billion kronor in comparison with 2016. For the third year in row, MKB was successful to deliver more than 500 apartments as the number of finished apartments were 520, while the apartments in production amounted to 1,066. NKI 70 shows that the company's customers are satisfied than ever, the best result in history for MKB. MKB also is the best 5 company in Sweden regarding student satisfaction. MKB achieved successfully the climate target of 2018.

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5 According to STUDBO survey that measures students satisfaction
already in 2017. In 2017 also, HBTQ-certified MKB as the first housing company in Sweden. From 2018 and on, MKB plans to invest 100 million kronor in “bosociala” efforts.

4.2.2 Organizational Structure

The matrix shows (See figure 1) that MKB has to some extent centralized structure, in which the CEO at the heart with major operational control roles, overseeing the entire organization. This corresponds with Alfred Nyström’ view (business controller, an interview on February 9th, 2018).

“MKB structure is somewhat centralized as employees communicate with their immediate superior and with their immediate subordinates. However, it is not hieratical in the form that it is just the CEO and TMT that makes all the decisions in the organization, but rather middle and lower level managers can decide on their tactical and operational plans to achieve the goals set by BODs and TMT. The CEO, supported by other top managers, takes the strategic decisions because he has a better understanding of the organization as a whole. While, lower and middle level managers generally have better understanding of the day-to-day organizational operations. MKB also encourage working in cross functional teams that gather different functional expertise working toward a common goal”.

Figure (6) shows the organizational structure at MKB. Source: internal document

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6 Through the certification, the employees get the required knowledge about human rights, equality, and anti-discrimination, to foster and promote a more inclusive environment. The education concerns all grounds for discrimination and examines how several different norms interact.

7 It is about contributing to community and social sustainability that can contribute to tenants' well-being, health and safety as well as contributing to increased integration between people in the residential areas.
This also in line with what Mr. Ericsson who emphasized

“When it comes to hierarchy, I do not think that we have so much hierarchy. Our assignment for this year is to give the opportunity every week to one department to present suggestions that can make their jobs easier. Then we discuss these suggestions directly, there is no need to argue so much but rather we go and discuss this directly. It is a special group that has the responsibility for this project. Yet, it is not so much democratic atmosphere but we try to make our employees more involved and give them more responsibilities and we see this as a big advantage”. (Ericsson, CEO strategy advisor, an interview, April 12th, 2018)

He added later that

“Each residential area functions and be managed as a company in itself”

(Ericsson, CEO strategy advisor, an interview, April 12th, 2018)

The CEO is overseen by a political engaged board which have been chosen by Malmö municipality, municipal council and reflects the political partisan in Sweden. MKB is also being controlled by rules and regulations based on the local government legislation and the Swedish listed company’s act.

The residential property management is built around the landlord as a hub, with responsibility for the property and the tenant. The landlord has a support team with different competences and specialist skills such as property developers, lessors and MKB Direkt (customer service) at their disposal in their relation with the tenant.

As stated by Alfred Nyström

“Administrators, Janitors and land lords in respective residential areass are the ones who have continuously direct contact with tenants. They report to the closest superior in the hierarchy and up to the administration manager”

(Nyström, business controller, an interview on February 9th, 2018).

4.2.3 MKB Strategy and Goals

According to the annual report (2017), MKB vision is "Home for Everyone" means that each individual, alone or together with others, should have good housing. The company is working to strengthen the city's attractiveness and development through balanced planning of new production and responsible rental prices. MKB’s goals are, to be the first choice of customers,
to offer sustainable and affordable accommodation, and to have the financial strength to develop for the future, believing that all of this cannot be reached without the support of its employees (around 302 employees). MKB is also managed with a strong emphasis on financial, social and environmental sustainability. MKB’s objective is to build good housing characterized by stability and safety at a reasonable price as well as to create socially functioning living environments and extra value for their customers. The company strives to build new apartments that characterised by cost-effectiveness, sustainability and high quality. The company has a four dimensions goals; customer, employees, business, and economy. The company managed to meet its goals in 2017 as the table below shows:

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Goal 2017</th>
<th>Result 2017</th>
<th>Goal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>NIKI 70</td>
<td>NIKI 70</td>
<td>NIKI 70</td>
</tr>
<tr>
<td>Employees</td>
<td>NMI 70</td>
<td>NMI 70</td>
<td>NMI 70</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We offer affordable and sustainable residency:</td>
<td></td>
<td>number of new apartments (2017-2019)=2250</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td></td>
<td>climate effect in comparison with 2015 reduced by 20% per apartment</td>
<td>2250 (2017-2019)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>reduced by 27%</td>
<td>20%</td>
</tr>
<tr>
<td>Economy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have the financial power to develop for the future</td>
<td></td>
<td>net profit with 275 MKr</td>
<td>335 MKr</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* net profits after assigning 100 MKr to social housing investment</td>
<td>190 MKr</td>
</tr>
</tbody>
</table>

Table (4) shows the Company multi-dimensional goals

Mr. Ericsson talked about MKB strategy saying that

“Our Strategy is home for everyone. Our long-term strategy set to meet our needs. we need to have land for 10-25 years forward, so, we buy land to ensure that we can make our future investments then we work with buildings licences and permissions. For instance, in 2017, MKB bought Malmö Centralfängelse in Kirseberg and Jägersro Travbana. All this enables us to meet Malmö municipality demands. For example, due to the recent migration to Sweden, the demand has even increased and we have got an assignment from the municipality to build more apartments to contribute to solve the problem and encourage integration in the society. The goal is to build 2200 apartments during the period of 2017-2019. It is the municipality that set the demands and formulate the strategy yet discussions can take place in between. So, to deliver more apartments we must have a long-term strategy that outlines how we can have access to land. We can divide our long-term strategy into short term strategies; we must for example ensure that we have access to finance to implement our projects so we can involve more stakeholder with us to share responsibilities, risks and even opportunities”.

(Ericsson. CEO strategy advisor, an interview, April 12th, 2018)
When asked about the strategy, Alfred Nyström argue that

“MKB have different “strategies” [goals] in different levels of the organization, for example, on residential areas level, we have different strategies for different residential areas regarding renovation and increasing rents as we must take into account tenants’ ability to meet the increase in rent as well as their needs.”

(Nyström, business controller, an interview on February 9th, 2018)

In line with this, Mr. Ericsson highlighted the shift in strategy to deal with Rosengård area stating

“In Rosengård we have decided to involve other companies to share the responsibility of the area with us. This implies some risks but also opportunities. So, the purpose was to involve more parties to share responsibility, risks, and opportunities”.

According to annual report (2016; 2017), MKB has begun to pay more attention to customer’s need; “from customer awareness to customer focus” as stated. When asked about this shift, Alfred Nyström stated

“I think that customer focus has been always there as a strategy. So, I do not think that there is a big difference but things can be better. Tenants are our most important asset because it is them who pay the rents. So, if we have issue with NKI related to a specific area we work to find explanation why it happened and try to take actions to solve the problems. We have a target number to achieve in NKI, as a goal that linked to our strategy. If we do not meet this number, then we have an issue that should be investigated. It is very important for us to have satisfied tenants.”

(Nyström, business controller, an interview on February 9th, 2018)

Later in the interview when asked about how they can measure customer satisfaction and namely about the NKI, Nyström replied

“I am aware of such index, yet I do not have so much to tell about measures used in evaluation and how the index really works”

(Nyström, business controller, an interview on February 9th, 2018)

While Mr. Ericsson comment on this saying

“We work more with integrity and safety of our tenants. we must always adapt with demands and try to find proper solutions.”

(Ericsson, CEO strategy advisor, an interview, April 12th, 2018)
When asked about MKB goals, Alfred Nyström comments on that stating

“We are a municipal company our primary goal is not to maximize our profit but rather to contribute to Malmö municipality development. We have financial demands from Malmö municipality, but it is about finding the right balance between financial demands and our social responsibility to provide houses for all Malmö residents with diverse needs. In rental price, we take into account market price and other social factors. For instance, we have different prices for different rental areas. This is also because Malmö municipality knows that different people have different needs. For example, we cannot make renovation for all apartments in different areas regarding toilets, kitchens etc. We take into consideration tenants needs and their ability to pay more rent because renovation means simply increase in rent. We are municipal company and we must take our social responsibility. So, if some tenants can pay more, we see this as a motivation for us to make renovations. Others, we cannot increase housing standards for them because they do not want or/and do not have ability to pay extra. So, we must have different apartments that suit for all our tenants.”

(Nyström, business controller, an interview on February 9th, 2018)

He added

“We do not work with the same way as private companies which focus first and foremost on profitability, we cannot for example increase housing rents for all tenants. Private companies do not take the same responsibility towards Malmö city. We must be profitable but also take our social responsibility.

(Nyström, A business controller, an interview on February 9th, 2018)

When asked about the goal conflict between different rationales that MKB as MHCs operating under, especially after the new law, in the very beginning of the interview, Mr. Ericsson stresses that the new law makes things clearer, in his words

“In all cases, we follow the limited company law. However, the public utility law (2011) has eased the tension between financial and social goals because it entails that MHCs must be managed based on businesslike principle, exactly as other [private] housing companies. We do not follow cost-based rent principle anymore. Yet, it is fair to say that most of MHCs have even adopted the businesslike principle before the new law, so we do not feel big shift but things have been more obvious.”

(Ericsson, CEO strategy advisor, an interview, April 12th, 2018)

Then I elaborated on the question wandering why this law has been issued since we know already that the Swedish public sector has adopted NPM since 1990s. He stated

“It is not the same logic as NPM, but the new law has come to meet the legal terms set by the EU which aim to encourage free competition. Then we integrated this with the approach of public utility, as exception from the new law, to pay
attention to the social responsibility of MHCs, for example, we work with integration issues, create safety and security in the community. In the old model [of NPM], Businesslike principle was seen as a strategic long-term thinking. You may think that we focus more in other aspects [social responsibility] more than the last line in the income statement but this is not a long-term businesslike approach. Rather, we focus on delivering a good financial result that makes us able to make investments which in turn will benefit Malmö residents and the city. Now, we invest to generate good demand in the market and Malmö municipality has been successful to create such high demand and, better than Gothenburg and Stockholm. This does not mean that we underestimate other values and responsibilities. We actually work also on that in regular basis. We are never happy with our performance, there is always room for development and improvement. We always think strategically looking at the future not back. So, we have built 1000 apartment in one year. It is a big success but we must keep the good work and even develop.” (Ericsson, CEO strategy advisor, an interview, April 12th, 2018)

However, towards the end of the interview he added

“it is clear that we have a conflict between economic demands and social responsibility and therefore we have a continuous dialogue and discussions between TMT and BODs and municipality. Practical issues, for example, can be discussed with urban construction director or urban construction municipal unit before determining goals such as returns and solidity etc. So, there is a dialogue between the municipality and the company as well as ongoing debate on the political level. This can contribute the consolidation and reconciliation between different demands. The end product of this communication process is that demands would be within reasonable margins. At the end of the day, it is owner directives that MKB should strive to follow”.

(Ericsson, CEO strategy advisor, an interview, April 12th, 2018)

Mr. Ericsson also stresses that housing market is volatile and that the Swedish housing market is political-driven, so MKB should closely monitor potential changes that may have an impact on the company.

“Stock market is not stable, it was happened when Liman brothers went in bankruptcy and it can happen again then we cannot borrow money to implement our projects. We work with risk management to set scenarios to how we can manage such situations if happened. We see that we can manage these situations relatively better than other corporations because we rely on rental rights, it is a safe investment, because there will be always a strong demand on them. While housing rights and ownerships are risky because people got loans to finance them so if they will not be able to do so, a problem will arise. We must have a good political understanding because Political risk always there so It is very good to have a constant dialogue with the owner to know what they want and do it. So, political environment in combination with businesslike principle have an impact on how the company would be managed. We must have a feeling of the political environment surrounding and what our owner wants because we are political-driven business. Then we must act according to the businesslike principle and do
the best for the company. Then if there will be power shift and new owner you never know what is going to happen. It is the owners who decide. So, there are always political risk as well as finance and economic risk. So, we should be well-prepared for potential crisis”.

(Éricsson, CEO strategy advisor, an interview, April 12th, 2018)

4.2.4 MCSs

According to Alfred Nyström (A business controller, an interview on February 9th, 2018), MKB McG model is based on the balance between internal efficiency “to do things by the right way” and external effectiveness “to do the right things” (Internal document, 2018). According to the MKB Annual Report (2017), efficiency and effectiveness are tightly linked to MKB strategy to provide a wide and various range of attractive rental apartments for the whole of Malmö population. MKB uses the budgetary system whereby actual results are compared with budgets. MCS in MKB is results oriented whereas managers at different levels in the organization used to start preparing their budgets in September-October each year. Then through the budget period (one fiscal year starts in January), variance analysis conducts to show the difference between estimated standard costs and actual costs. Fiscal year is divided into thirds to make sure that numbers are consistent with the prepared budgets. Controllers quickly act when detecting “strange” “big” variances, communicate with the people involved to get the needed explanations. The higher the level in hierarchy in MKB, the more empowerment of employees. So, at the highest levels, managers are involved in decision making, while the closer to the bottom in the hierarchy the less involvement.

Alfred Nyström describes the budget process saying

“we set the budget one time annually in September or October, we have three thirds in April and August and then in in the end of December. It is the last line in the income statement that we should deliver. So, we receive demands and directives from the municipality and then we set to make it possible through allocation of resources and assigning different responsibilities. Communication are in the two directions up and down when setting budget goals but at the end of the day it is the TMT and board of directors’ decision. In the first third we go through budget and what we have achieved at the time then we can make some modifications and updates. In August, it is the last follow up and then closing the books for the year. We must have budget to monitor performance. We set budget in accordance with needs. Budget are also set in accordance to our strategy. Hence, our work is not budget-driven but it is strategy-driven. Budget is just a control system that enables us to achieve our strategy. Budget enables us to monitor and follow up performance and to assign different responsibilities and held people accountable for these. So, I think that budgetary system functions well with us to control and follow up business. Budget is our plan that enables monitoring and help us to achieve our goals. We try always to make the budget process better and more democratic.”

(business controller, an interview on February 9th, 2018)
When asked about the cost method used in MKB, Alfred Nyström points out that

“The cost method adopted by MKB is a mix of standard cost and activity based costing and we follow up and compare between the cost and budget objectives. We divided the cost if it is regarded more than one residential area to have a real picture of the economy in each area”.

(business controller, an interview on February 9th, 2018)

MKB is divided into three residential areas, each one of them functions as a profit center with a separate income statement, operations cost, and services costs and maintenance costs. MKB views employees as an important asset that can largely contribute to the success of the company. During 1980- and 1990, MKB has been extremely transformed and developed from being centrally controlled to be far less centralized. The development toward decentralization has been continued and resulted in a strong organizational culture, implying a shared responsibility and a stronger dependency on people working within the organization (Aunér, 2001). This in line with Mr. Ericsson who describe MKB efforts in that regard stating

“We try to create a culture of integration in the company and make our employees happy, the so called “soft values and controls”. We have plans that connected to our strategy that outlines how we can achieve these values. How employees should behave and deal with other colleagues. Every manager can have his style of management that can be individual so we try to change this and give our employees and managers proper education to align all employees’ preferences with organizations strategy and goals. We invest in our employees. For instance, we work to certify all our employees which can give them career opportunities. We encourage also diversity and gender equality, believing that deep knowledge about that would make employees perform better and fits better in their position. The more investment in employees the better results MKB can deliver”.

(CEO strategy advisor, an interview, April 12th, 2018)

The Reward and bonus system in MKB is somewhat based on team performance whereby goals breakdown throughout the organization. MKB encourages the team work spirit through arranging common activities that gather employees or through rewarding the whole company when reaching its annual goals. For example, MKB rewarded employees on 2016 with a vacation for three days in Berlin (Alfred Nyström, A business controller, an interview on February 9th, 2018).

MKB enjoys a culture of open communication. The landscape nature of the working place also contributes to this as all the employees sit closely in an open place without barriers. So, this enables employees to feel free to give their input and idea where information is shared freely and conflicts are openly discussed and worked through. The workplace is totally opened with
no barriers between functions and departments so when employees face a problem or need some explanations, they can directly go to their colleagues and get what they needed immediately to get the job done. Furthermore, there are great variety of meeting spaces, a large number of project rooms that well-equipped with high-tech equipment to facilitate presentations. A meeting culture is remarkably seen in MKB, especially between the middle and lower levels managers and employees. Cross functional teams can be always seen when it is needed, working on the fly utilizing the opened landscape nature in the workplace. So, the abovementioned can somewhat offset decentralized structure.

This emphasized by Alfred Nyström, in his words,

“Communication is prevailed throughout the organization, there is no stupid questions but anyone can ask about whatever he/she wants despite of simplicity or complexity of the question. Because simple question needs just simple answer and then the problem is solved. Employees have different competence and knowledge so we complete each other and we learn from each other. We are in the same team simply”. (business controller, an interview on February 9th, 2018)

4.2.5 PMSs

In the annual report (2017), two types of KPIs can be found; the traditional financial KPIs and some environmental KPIs as the table below shows

<table>
<thead>
<tr>
<th>Key Performance Indicators (KPIs)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy consumption (GWh)</td>
<td>275</td>
<td>297</td>
<td></td>
<td></td>
<td>non-financial</td>
</tr>
<tr>
<td>Sun cells (kw)</td>
<td>104</td>
<td>104</td>
<td></td>
<td></td>
<td>non-financial</td>
</tr>
<tr>
<td>Percentage of apartments with access to food waste collection</td>
<td>85</td>
<td>81</td>
<td></td>
<td></td>
<td>non-financial</td>
</tr>
<tr>
<td>Net rental yield, based on market value (%)</td>
<td>6,6</td>
<td>13,1</td>
<td>7,9</td>
<td>8,4</td>
<td>financial</td>
</tr>
<tr>
<td>Return on total equity (%)</td>
<td>3,4</td>
<td>8,5</td>
<td>4,9</td>
<td>5,9</td>
<td>financial</td>
</tr>
<tr>
<td>Solidity (%)</td>
<td>35,9</td>
<td>33,8</td>
<td>32</td>
<td>33,1</td>
<td>financial</td>
</tr>
<tr>
<td>Interest coverage ratio (times)</td>
<td>9,3</td>
<td>17,9</td>
<td>7,9</td>
<td>4,2</td>
<td>financial</td>
</tr>
</tbody>
</table>

Table (5) shows a mix of key indicators (annual report, 2017)

MCS in MKB is financially oriented as controllers work only with the financial measures. environmental indicators are calculated by other systems. MKB takes into consideration other non-financial indicators, mainly NKI for customers and employees. Yet, the indicators in the index are not linked to the MCS rather the company uses the results to pay attention to the weak areas that need to be improved. This also emphasized by Alfred Nyström (business controller, an interview on February 9th, 2018) stating

“Controllers, first and foremost work with financial control. So, in our MCS system, we have just financial indicators that help us to ensure the financial
health of the company. For non-financial indicators, such as customer satisfaction index [NKI], the staff in each residential area take this responsibility. For example, they deal with complaints and monitor how the tenants are satisfied with laundry, residential area environment and services, etc. It is logical that they handle these issues since they are closer to tenants than us. As controllers, we do not have direct contact with costumers or suppliers, we work internally and our customers are our employees. For environmental indicators, housing managers in each area discuss this issues with the people who work with these technical things. We do not have a role in this.”

Controllers in MKB, are distributed into different divisions through the entire organization. The company has a large controlling team as there is one controller at least for each division including new production, administration, business development, HR, and each residential area [west, east, North]. The controllers serve and support the whole organization with different departments but at the same time they monitor the performance and find explanations when they are needed to ensure that everything is as it should (Alfred Nyström, A business controller, an interview on February 9th, 2018).
4.3 Lunds Kommuns Fastighets (LKF) AB

4.3.1 Background of the company LKF

According to LKF.se & LKF Annual Report (2017), LKF is a fully owned municipal housing company that was founded in 1947. LKF’s main task is to offer good quality, environmentally friendly, sustainable housing at a reasonable cost. The company helps Lund municipality to meet the housing needs in the municipality and aims to contribute to a better and more sustainable Lund. LKF also ensure that planning and new production are adapted to demand. The company today owns and manages more than 9,551 residential apartments, in which live approximately 20,000 tenants. This means that LKF owns and manages about 40% of all rental rights in the municipality. This makes also LKF the third largest municipal property company in Skåne county and one of the 20 largest MHCs in Sweden. LKF owns also most of the municipality's retirement homes. In 2016, the company planned to build approximately 1,800 new rental rights in the next seven to eight years. In the beginning of 2017, LKF have had 1000 apartments in production, which is a historical record for the company. The company’s goal is to build 250 - 300 apartments per year. In 2017, the market value to the property stock of LKF amounted to 11,5 billion Swedish Crowns. The company have three main goals; offer attractive homes, create a better Lund, and build more homes. The net profit for 2017 was 108 Million Swedish Crowns.

4.3.2 Sustainability Accounting

According to FAR (2017), the government has decided that from 2017 it becomes mandatory for “large” companies to report sustainability. LKF is considered as a “large” company because it meets the reporting conditions; For the last two years, net sales more than 350 Million SEK, and the total assets are more than 175 Million SEK. Hence LKF is obliged to make sustainability reporting. LKF reports sustainability according to GRI guidelines, Sustainability Reporting Standards (SRS), level Core. LKF uses materiality matrix analysis to decide on the most important sustainability issues that the company should focus on. This is done by mapping the issues that, the community in which the company operates, is most concerned about against those which have the biggest financial or reputational impact on their business. In the analysis, LKF weights up the strategic importance of different sustainability issues and analyzes the impact of these issues on the company’s environment, individuals and community. In 2017, LKF gives top priority to the following issues, ordered according to their importance: economic
result, sustainable city development, safety and pleasure for tenants, to be a reliable and trustworthy company, energy usage, waste management, and employees satisfaction.

### 4.3.3 Company Structure

According to LKF Annual Report (2016), LKF under 2016 has carried out a major reorganization. The new structure takes the Multi-divisional form (M-Form, see figure two) in which the organization is split into smaller units, each act, more or less independently as a quasi-firm. The quasi-firms play a key role in this structure as they enhance the monitoring capacity of the organization whereas separation of activities making it possible for the top management to measure the performance of each division (Collin, 2006).

![Figure (7) shows LKF structure adapted from the annual report (2016)](image)

Three factors were the driving forces behind the new structure: (1) LKF has been in an expansive phase for a while and organizational structure needs to be adapted to fit with organization’s ambitions; (2) LKF wants to strengthen its strategic focus by investing in business development with clearer roles and responsibilities; (3) Customers have become more demanding and hence the new structure aims to make the company closer to its customers to provide more service and meet customers’ expectations, this is the major reason for the new structure. This has been emphasized by the CFO stating that,

“We were not available enough to the customers. It was old structure that does not fit in today’s business environment where Customers are more demanding than ever and thus need to be closely heard. The result was a little decline in the NKI [from third to fifth place]”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)
To address increasing tenants’ needs a new important role has been created, area caretakers. The residential area caretaker functions as a medium between the tenants and the company. They are, in principle, available to the tenants throughout the working day. The focus of them is to ensure safety and well-being in the residential area, addressing the needs and wishes as well as work with any disturbances that arise in the area.

“Now our business is less technically driven and more customer driven. Our starting point is customers’ needs”
(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

Furthermore, the new structure has assigned the task of the handling of tenants’ malfunctions reports to one department, Technical Services, where opening hours have been expanded and adapted. This in turn makes the company more efficiently compile statistics and track up errors.

4.3.4 LKF Strategy and goals

According to LKF Annual Report (2017), Good housing makes Lund more attractive to both people and companies and hence contributes to the development of the municipality. LKF’s vision is a future with more and better homes. To achieve this vision the company has a strategy that outlines its goals and how it is going to achieve those goals. Lund municipality, in cooperation with board of directors, formulate the strategy taking into consideration the external business environment in relation to the company’s needs and requirements. LKF strategy is to build mixed types of housing (small and big) that can meet different people’s needs. LKF has a strategic plan for the period 2017-2020. The plan aims to create long-term sustainable solutions and relations with municipality, stakeholders and customers. The plan consists of three strategic goals for; offer attractive house (marketing strategic goal), build more houses (growth strategic goal), and create a better Lund (sustainable strategic goal). Whereas, the strategic planning is situated at the high level in hierarchy, the tactical and operative planning is conducted by different divisions.

Lund municipality sets economic goals that LKF must meet. The economic goals for the company are the following: Solidity with minimum of 18%, net rental yield with minimum of 3%, and interest coverage ratio with minimum of two times. The return on investment should be consistent with other MHCs with similar size and sales.
As expressed by the CFO

“As an owner of LKF, Lund municipality, in cooperation with the board of directors, is authorized to decided solely on strategies and goals. These Strategies and goals are, more or less, not negotiable, within LKF, discussions can take place analysing whether the goals are reasonable to achieve and what are the consequences. (Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

According to Ole Kasimir, planning manager of Lund municipality, in Lund municipality they have a constant dialogue about what should be achieved to ensure that everything works in harmony and at the same direction, and hence the entire municipality has a consensus on what they want to achieve. It is about taking a holistic approach (goal conflict in developing cities, May 3, 2018)

In 2017, LKF met successfully these goals with solidity of 24,4%, net rental yield of 4,3% and interest coverage ratio of 5 times.

“The Ownership directive sets goals and demands no matter which law and principle we follow (public utility law, cost-based rent principle or businesslike principle). It is important to emphasize that cost-based rent principle was businesslike [commercial] too because there was a risk premier that LKF had to take into account and there is nothing in the law that determine the percentage. So, LKF operated to achieve profits that cover both the cost and potential risks. For example, return on investment by 5% and risk premiere by 5% - 6% on top of that as well. After the public utility law, of course things have been clearer as we are now market-driven. Before, the prices were a bit fixed regardless of whether we built too expensive or too cheap”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

The CFO elaborated on this saying that

“After the public utility law, it is a different decision-making process; partly because now the ownership directive [municipal] is more demanding, for example, the return on equity is higher and the rental yield is based on market prices. Now LKF cannot set lower returns/yields because we have become more market-driven and this in turn opens the door for competition”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)
The board of directors (BODs) are politically appointed and are nominated by the City Council of Lund and reflects the party-political structure. They are politicians who play a significant role in formulating the strategy and vision of the organizations. They monitor management performance to ensure that LKF is on the right track towards strategy and goals. Management in return reports to BODs three times per year. When asked about BODs role in LKF, the CFO states that

“The board of directors are sort of expertise in the real estate industry. They work, first and foremost, to achieve the best for LKF, not for the party they belong.” (Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

Besides the aforementioned economic goals, LKF has other goals. In 2017, the company invested a lot of money in maintaining and rebuilding housing. The company also made so much investments in social sustainability. LKF has other social responsibility such as the work that the company do to keep safety in residential areas and encourages integration to reduce exclusion. The company also has environmental goals: reducing primary energy use for homes and premises by 25%, reducing resource consumption and becoming fossil fuel free. In terms of customer satisfaction and based on customer survey 2017, LKF has declined a bit compared with 2016. However, LKF still gets a relatively good score in the survey, among the highest scores among the company with similar size in Sweden. In terms of product index, that shows how the tenants rate the company housing, LKF is again the best in the country among other comparable companies.

When asked about the balance of the aforementioned goals and the potential goals conflict the CFO describes the situation as following:

“Goal conflict arises obviously when making new investment since multiple goals need to be considered and addressed before making the decision including customer satisfaction, energy consumption, material consumption etc. Bearing all this in mind, LKF tries to make balance between priorities and demands. This is very challenging so the company may choose to focus on a specific area that is consistent with the company’s strategy at the time, while keeping other areas in mind for future operations. Based on this, the company makes calculations to decide on the rent. If the rent is high then LKF negotiates with the Swedish rental association taking into account the market price of other apartments with similar standards... benchmarking. Thus, LKF strives to find the right balance between
the social responsibility and economical goals; a goal conflict can arise since the company needs to set reasonable rent for tenants and at the same time achieve profits to meet municipal demands in terms of return on investment and solidity”.

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

4.3.5 MCSs

According to Annual Report (2017), LKF views a well-function management control, based on clear performance evaluation, as a perquisite for growth and expansion. Management control aims to ensure that the company reach its goals and objectives by the most effective way. Management control also supports the business to avoid vital errors and create a learning process for employees. The main task for MCS is to implement the strategy that formulated by the municipality. Then based on the strategy, BODs and management set long-term goals. LKF has three strategic goals which are broken down into detailed plans and budgets throughout the organization. Each department has a plan that highlights areas for improvement and development to reach the desired objectives. Management control also plays a significant role in identifying and mitigating/eliminating risks that can hinder the company reach its goals. Through risk management analysis, potential risks are classified based on likelihood and then are prioritized according to their potential impact on the business. The management, in cooperation with the board of directors, follows up and evaluate the risk once a year. Then the result is to be communicated to each department manager in the organization.

MCS in LKF is results oriented whereas LKF uses budgetary control system as an annual plan for managing and estimating future costs and cash flows as well as to evaluate performance. The aim of the budgetary control system is twofold; planning and control. Planning implies devolving objectives and preparing various budgets to achieve these objectives while control involves the course of action taken by management to increase the possibility that the objectives set down at the planning stage are accomplished. When asked about the budgetary system, the CFO states that

“We start working with the budget process in autumn every year to decide on the next year’s budget. In this process, we decide on both financial and non-financial goals”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

Rewards system in LKF is based on individual contracts. The key driver for the performance-related reward system is working hours per year. Each employee has a number of hours that
should fulfill every year. In that sense, the reward system is not based on team performance, but rather it is individual and working hours-driven. Yet, self-regulation and organizational culture are two points that have stressed by the CFO stating

“We try to create a culture of performance”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

4.3.6 PMSs

The table below adapted from the annual report (2017) and shows that LKF uses both financial and non-financial. Yet, non-financial indicators are not integrated in the MCSs. Some of the non-financial indicators calculated by other systems, for example environmental indicators including energy consumption, unsorted waste etc. Others are bought from a third party, such as, employee index and NKI, the latter is used to measure customer satisfaction. Hence, non-financial measures are manually processed. When asked to describe the PMS in the company, the CFO replied

“We use non-financial indicators because they are more strategic but we do not have IT support in doing so. Now, we have information system support for just financial measures and indicators, yet we work with business intelligence and plan to integrate non-financial indicators in MCS to get a full picture of the entire business”.

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

Later he added

“We are not IT-driven business but a business-driven organization supported by IT)

”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

When asked about non-financial indicators’ impact on decision making process, the CFO said

“We start the decision-making process by talking about economic aspects then we take other aspects into account and put them together to get a whole picture before making the decision. Both financial and non-financial measures are integrated manually to support LKF to engage in continuous improvement activities. So, we never rely only on financial aspects when taking a decision”.

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)
LKF does not use BSC, yet the CFO see the PMS in the company similar to BSC, as describes in his words

“We do not use the classical BSC of Kaplan & Northon, but rather we use our own model that consists of three strategic goals [dimensions]; offer attractive house, build more houses, and create a better Lund. The model can be compared with BSC, yet we do not claim that we use BSC”.

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

Afterwards I elaborated on the previous answer wondering if LKF has measures for these three dimensions, the CFO replied

“The three strategic goals have some non-financial aspects that hard to be measured. Yet these are our strategic goals that we strive to achieve. All divisions in the organization have both financial and customer goals, which break down into some activities and processes that are continuously monitored by managers. The processes differ and hence indicators are set in accordance with each process. Sometimes goal conflict can arise as employees may feel that they do not have enough money to achieve the goals, at this time, it is manager responsibility prioritize and help the employees to solve this problem. It [department, division] is like a car, one must know how to drive it. It is the manager who can decide in which way to drive; drive faster, choose another gear, or stop and wait”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

Taking into consideration that controllers do not have non-financial measures integrated in the information system, I asked about the CFO about the controller role in LKF and he replied

Table (6) shows a mix of key indicators, (annual report, 2017)
“In my opinion, the role of economic department in today’s business is to help the company with the whole business control and not only with financial control. So, controllers in LKF, monitor and follow up the entire business, regardless of what kind of measure and goal they have”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)

LKF has four business controllers. They used to meet with respective areas managers three times annually to discuss with them and find explanation. As described by the CFO:

“It is a back and forth process as controllers interfere when it is really needed to avoid causing disturbance”

(Swanborg, CFO & Chief Accountant, interview, May, 3rd 2018)
CHAPTER V: Analysis

5.1 Analysis: The dimensions of the public/private-distinction implications

Based on the empirics, we start our analysis in this section by discussing the dimensions of the public/private-distinction (ownership, funding, control and type of goals) of van Helden and Reichard (2016a) before testing the framework. These distinctive features are applicable to both companies as MHCs and would guide us to the roots of conflict between multiple logics.

The starting point is the ownership structure. Both companies are completely owned by municipalities and to large extent financed by taxes. So, ownership in MHCs is too dispersed in their structure (because at the end of the day it is taxpayers’ money that at the stake) and hence diverge interests are existed. To safeguard these various interests, there are politicians and bureaucrats (either in municipalities or boards of directors) elected by the citizens as they play a significant role in formulating the strategy and vision of MHCs. This is reflected in the vision for both companies; a future with more and better homes in LKF, and homes for everyone in MKB. This corresponds to the major objective behind the governmental directive of being a municipality owned company which is to maintain the housing supply within the municipality (SABO, 2018). So, the vision explains why the firm is existed. To achieve this vision each company has a strategy or strategies that outline(s) its goals and set action plans to accomplish these goals. According to the annual report (2016; 2017), MKB has stressed the concept “from customer awareness to customer focus”. There is a big focus on new production in the company to meet the demands of Malmö municipality. To secure future investments, MKB primary focus is to buy land and get buildings’ licenses and permissions. The company has a strategic goal to build 2250 apartments during the period (2017-2019), in 2017, 520 apartments were built. While LKF has changed its structure to become closer to customers, satisfying their needs and expectations. As stressed by the CFO, Petter Swanborg, today LKF is customer driven. LKF strategy is to build mixed types of housing (small and big) that can meet different people’s needs. LKF has three strategic goals for the period (2017-2020); offer attractive house (marketing strategic goal), build more houses (growth strategic goal), and create a better Lund (sustainable strategic goal).

Therefore, it is obvious that the strategic goals and visions of LKF and MKB differ fundamentally, comparing with private sector companies. They simply have different mission
and hence different goals including policy related goals, accomplishing public welfare, and satisfying public interest. They have also economic goals that should be achieved. However, the dominant aim for these organizations is to achieve policy outcomes.

After the introduction of NPM, there is no clear line between the social responsibility and commercial responsibility of public organizations. NPM entails that LKF and MKB have followed business-like practices that imply financial and efficiency-related targets. Both companies adopted cost-based rent principle to balance revenues and expenses and cover the risk premium. According to the CFO at LKF, Petter Swanborg, there is nothing in the law that determine how much the percentage of risk premium. This is, MHCs could achieve profits that exceeded their costs based on the risk premium. The recent law of public utility (2011) has arguably made demarcations between social and commercial responsibilities more blurred. The law entails that MHCs should act in a completely liberalized way which implies a shift from cost-based rent principle to “businesslike principle”. Thus, today LKF and MKB are being managed as business-like organizations operating under conditions of financial independence (commercial logic), yet public housing is not freely managed but are constrained by accountability and citizen expectations since MHCs were basically established to serve the public interest and fulfil their social mission (social logic), additionally they should comply with laws and regulations, plans prepared by local, regional, and national and EU bodies (compliance logic). Multiple logics means divergent interests and goals that likely to be in conflict. The potential tension may also cause confusion and misunderstanding among employees. This is to some extent clear in MKB case, while it has been emphasized that the primary goal for the company is not to maximize profit but rather to contribute to Malmö municipality development. It has been said also that things have become clearer today after the recent law whereas the company must be managed based on businesslike principle, exactly as other private housing companies. This may entail decoupling as the company may ceremonially endorse practices prescribed by one logic (mostly social logic) while actually implementing mechanisms promoted by another logic (mostly commercial logic) (e.g. Bromley and Powell, 2012).
5.2 MCS & PMS analysis of MKB and LKF: Similarities and Differences

According to Collin (2006), Structure is the main controlling device in the organization as it governs the flow of capital, labour and information and hence facilitates or constrains certain actions. Both the structure and the strategy of the organization form a significant governance mechanism. The structure can be adjusted to direct the behaviour of the organisational actors toward the implementation of the intended strategy and hence goal congruence.

For MKB, the company strives to achieve the financial goals set by Malmö municipality. Indeed, the company was very successful in doing so, based on the financial ratios given in the annual reports (see the table in section 4.1.5). MKB has, more or less, a centralized structure that gives major role for the CEO and TMT in overseeing the performance of the whole organization. While the structure of LKF does not differ significantly, it is hierarchical too. Middle managers act as a bridge between upper management and certain work groups. Lower managers are mainly task or process oriented, managing functional specialists and projects. So, in both companies, the higher the level in hierarchy, the more empowerment of employees. So, at the highest levels, managers are involved in decision making, while the closer to the bottom in the hierarchy the less involvement. This is consistent with Merchant & van der Stede (2012), who emphasize the significance of adapting the control to keep tightness throughout the organization to achieve efficiency and effectiveness. In comparison with LKF, MKB has overall better financial performance. Yet, the financial performance of LKF has satisfied the economic demands of Lund municipality, during the last four years.

To have clear accountability for the results, the structure of the two companies divided residential areas into three areas (north, east, west for MKB and north, south, east for LKF), each with profit and loss responsibility. Each area has also responsibility for its own development and profitability. This is to move more responsibility to the people who are closer to the customers and hence speeding up decision making process. Therefore, this structure makes both companies less hierarchy, increase employee’s empowerment, and strengthening agility. This contributes to decentralization in decision making as well as accountability for results. In each residential area (profit centre), the housing manager has the authority to make decisions as the profit center is responsible for its balance of costs and revenues. This in turn enables the TMT to identify the centers within the organization that are profitable and the ones
that are not, and hence improve the internal control. This also can enable management to have a firm grip on profitability through controlling costs, divisions, people, processes, projects etc.

By talking about PMS that supported by information systems, we can find clearly that PMS in both companies are financially oriented. Both do not have any non-financial measures supported by information systems. Both companies have a strategy of customer focus, using NKI to evaluate the performance in that regard. LKF scores better in NKI (82.4) in comparison with MKB (70). Both companies report the result of the index in their annual reports without any information disclosed about the area of weakness that need to improve. Both companies also not have nonfinancial measures integrated in the MCSs. Hence, the two organizations have many similarities in that regard.

MKB and LKF are major players in housing market and hence both have a big responsibility to provide attractive apartments at reasonable prices to the residents. They however face a potential conflict between the profit logic and social responsibility logic. A balance between the two logic is necessary for the company to remain profitable and, at the same time, meet its social responsibility towards inhabitants. So, as MHCs, they aim to be profitable but without sacrificing their social responsibility. In that sense, the performance in MHCs has many dimensions and therefore it is difficult to express satisfactorily solely by quantitative means. Non-financial measures are needed to support the financial measures and improve the financial performance. Moreover, MKB and LKF use the classical budgetary control system. Schmidgall et al. (1996) described the budgeting process as a back-and-forth movement between top and lower management. Three approaches can be employed: top-down approach (imposed budget) as superiors decide on budgets – providing detail-level plans which the sub-unit budgets are based on – and subordinates execute them; bottom up approach (participative budget) as lower level managers create their own budgets which are then consolidated to corporate level budget; negotiated budget is a hybrid or a mix of both styles (imposed and participative) as the guidelines and limits are provided by the top management and the unit acts accordingly and decides on the details. MKB and LKF use a mix of imposed and participative approaches.

MCS in both companies based on result controls, in the light of budget system. Result controls can contribute to employee empowerment, especially those with decision authority like managers (Merchant & van der Stede, 2012). Well-defined results inform employees about what is expected from them, and motivate them to reach the desired results (ibid). In that sense,
result controls can give more autonomous to managers, however not without more responsibility. Therefore, MKB for example, strives to employ high skillful managers who are confident about their abilities to take responsibilities to achieve the needed results. The results measures can provide feedback about how well various strategies, organizational entities and employees are performing. Investigating and intervening when performance is not consistent with expectations.

Both companies also use accounting-based measures to evaluate performance. Accounting-based measures can be divided into two categories; residual measures (such as operating profit and EBITDA) and ratio measures (such as ROI and ROE). Accounting measures can be measured precisely and objectively in timely basis. They can also be controlled by the managers whose performance are being evaluated because they held managers at different levels accountable to some lines in financial statements. They also provide accuracy, understandability, cost effectiveness and feasibility (Merchant & van der Stede, 2012). However, accounting measures are not flawless, rather they have some limitations; among other things, they are, conservatively biased, ignore risk and changes in risk and above of all past-oriented. The latter is a huge disadvantage that can hinder continuous improvement. Financial result controls also emphasize current-period accounting profits, which in turn can lead managers to be excessively short-term oriented, or myopic, in their decision making. Myopia is considered to be a dysfunctional side effect of financial results control systems (ibid). So, this can make managers in both companies become more concerned with short-term profits rather than with long-term value creation. This can also open the door to a number of behavioral displacement problems such as “gaming the numbers” (ibid).

In sum, LKF and MKB seem very similar with one dimensional PMS.
CHAPTER VI: Testing the framework of van Helden and Reichard (2016a)

In the framework of van Helden and Reichard’s (2016a), the authors argue that a PMS of a hybrid organization will be typically characterized by a number of features, we will test these propositions based on the empirics:

First Proposition: Explicitly multidimensional PMS design due to the large variety of goals.

Given the multiple goals of MHCs that entails diverge interests, one can expect multidimensional PMS that corresponds to stakeholders’ approach that I have discussed in the theory chapter. However, this is not the case as both companies rely on pure financially oriented MCSs that are results-based. This might be partly explained in the light of NPM major reforms that have aimed mainly to strengthen accountability for results by focusing more on outputs and outcomes than on processes and structures (Groot and Budding, 2008; and van Helden and Jansen, 2003). Not surprisingly, the budgetary system is used in both MHCs to assist organizational control of performance outcomes in the municipal bureaucracy. The design of PMS in both organizations is financially oriented. Both companies use financial measures to monitor and evaluate performance and to meet the economic demands of the municipality. Non-financial indicators reported in the annual reports either calculated by other technical systems (e.g. environmental indicators including energy consumption, unsorted waste etc.) or bought from a third party (e.g. NKI for customers and employees). In LKF case, as expressed by the CFO, controllers try to integrate non-financial indicators with financial indicators manually, but without support from the information system, to have a holistic perspective. This is not an effective or sustainable way and hence there is a need for an information control system that integrate both financial and non-financial measures. While in MKB case, controllers and the PMS are likewise; financially-oriented. The exception in that regard probably are maintenance and new production controllers who work closely to the operations. Yet, they do not have an information system to support them in their assessments, rather they receive information afterwards and use Microsoft Excel to do their analysis. Thus, financial targets are of greater relevance for both organizations whereas pure financially oriented PMSs are used. Just outcome measures are integrated in the PMS, while driver measures are not integrated. Therefore, the design of PMS in both organizations does not cover the various goals entailed to serve diverging
interests of stakeholders. PMSs are financially-one dimensioned. Hence, the findings do not support the first proposition.

**Second Proposition:** The linkage between PMS and organizational strategies will be quite diffuse as both concepts will only be loosely coupled

Neither MKB nor LKF have designed PMSs that are closely linked to their strategies. Both of the organizations have multiple goals, both financial and non-financial, that are linked to their strategies. However, the absence of non-financial measures in the information systems put strategy implementation on risk. Put simply, we have strategic goals in both companies but we do not have measures integrated in PMSs. This probably can lead to decoupling. Both companies have various goals that are likely to be in conflict and hence need a multidimensional PMS to balance them.

For MKB case, the shift from customer awareness to customer focus has no impact on the pure financial MCSs. So, if MKB does not have measures for customer satisfaction, how they will exactly control and effect that! This is based on the cliché, what gets measured gets managed/done, while others will decay. Even the indicators in the NKI are not translated into indicators that are linked to the company PMS. So, the link between strategic goals and PMS that evaluate performance and contribute to strategy implementation is not there. In the annual report (2017), four strategic goals have been highlighted that focus on four dimensions, namely, customer (to be the customer’s first choice), employees (to be inclusive and passionate), business (to offer affordable and sustainable residency), and economy (to have the financial power to develop for the future. One my think that MKB has its own version of BSC, yet this is not the case. The sole dimension that is measured is the financial health and hence output control. NKI for customer satisfaction and employees’ satisfaction are bought. Both are not integrated in PMS either. The only non-financial dimension that the whole organization seems to focus on is the new production since the company has a controller who closely monitor the performance, in cooperation with project managers.

Likewise, LKF does not have PMS that combines financial and non-financial measures (e.g. NKI, NMI etc.) Despite that the focus on strategic issues seem to be important in LKF, the absence of non-financial measures instilled in the PMS makes strategy implementation hard
task. Financial measures are not strategic and do not supply managers with enough information to support decision-making process. For instance, strategic management is regarded by senior managers of US-municipalities as the primary purpose of a PMS (Poister and Streib, 1999). According to Chenhall (2005) a strategy-linked PMS leads to better organizational outcomes. Controllers in both companies work reactively and not proactively. This is consistent with the premises that budgetary control system is originally assumed to work as a diagnostic control tool, because it serves the traditional purpose of evaluating historical performance and attributing different responsibilities in an organization (Nilsson et al, 2016). In line with that, Henri (2006b) came to a conclusion that, on the one hand, the interactive use of PMS fosters the capabilities for selecting strategic priorities and stimulating a strategic dialogue, on the other hand, the diagnostic use of PMS exerts negative pressure on these capabilities as it is constraints-and-compliance-oriented. Thereby, the findings support the second proposition as the link between PMS and strategy is diffused and loose in both companies.

**Third Proposition:** Clear and measurable targets will be used to a moderate extent because of measurement challenges inherent in non-financial targets

Both companies have non-financial targets that they want to achieve including customer satisfaction, employees' satisfaction, sustainability initiatives, and political targets imposed by municipalities. However, both companies do not integrate their non-financial measures that linked to some of these targets in MCSs. In that sense, it is quite hard for controllers to determine the degree of goal achievement and work proactively on these targets. Probably, the most important non-financial target that have been stressed by the two companies is the total of new apartments built every year as a key driver for the new production. This target is measurable, clear, and easy to follow. Housing industry is a long-term business since one project may take between three to seven years. However, there are other responsibilities for MHCs that should be considered and measured. PMS' role should be developed more, for instance through incorporating measurements for customers and employees’ satisfactions. Financial performance does not tell the complete story. For example, Atkinson (2012) argue that public-sector organizations cannot be evaluated based on financial performance. Of course, public sector organizations need to monitor their spending operate within a financial constraint but their success is, to great extent, decided by their effectiveness in providing services to citizens, not by their ability to generate profit, be efficient, or balance their budgets. In sum, the
absence of non-financial measures in the PMS make it hard to draw any interpretation about this proposition. Hence, we do not have clear evidence to support this proposition and hence we refuse it.

**Fourth Proposition:** Performance information (PI) will be used as basis for monetary rewarding of staff only to a modest extent because of measurement problems and cultural differences.

Here the core argument is that, in public organizations, there are other types of control (i.e. soft controls such as cultural, clan, moral and ethical controls) that reduce the probability to use PI as the main driver in the reward system i.e. performance-related reward systems. The mode of control is relatively loose in comparison with private sector. Rewards system in LKF relies on individual contracts and uses working hours per year as a key indicator to determine whether an employee is eligible to bonus or not. In that sense, the reward system impact on the quality of individual and group performance is in doubt. The quality of performance is simply not related to the reward system. Yet, performance information in the form of working hours is the only condition that need to be met to get the bonus so employees do not work under pressure to meet specific targets. In MKB case, the reward system is to some extent based on team performance whereby goals breakdown throughout the organization. Also, based on empirics, one can read between lines that information about the reward system is, to some extent, confidential and hard to access because it is rather individual. Given the great focus on financial results, one can argue that a bias toward financial performance may be existed. Additionally, the TMT (top management team) might be compensated for financial performance. This lead to dysfunctional behavior and may disrupt goal congruence whereas TMT will be more concerned about financial measures than any other measures. The lack of goal clarity may have its impact on the design of the reward system. The goal related performance indicators are hard to measure in the public-sector organizations (van Helden and Reichard, 2016a). It is important to mention that team performance is enhanced when team performance is given a greater weight in compensation (e.g. Scott and Tiessen, 1999). So, it seems that performance is not coupled with monetary reward systems in our two-case study. This is despite the fact that performance-related pay (PRP) has become more attractive and fashionable after the introduction of the NPM and its doctrines (ibid). Therefore, the evidence about the role of monetary rewards in the context of performance management is limited and somewhat ambiguous. Thus, we have a lack
of evidence that PI is used as basis for monetary rewarding of staff and hence we cannot accept this proposition.

**Fifth Proposition:** *Use of PI in hybrids will generally be medium intensive; PI data will be used more for accounting to external stakeholders than for internal steering.*

The main purpose of PMS is internal control of performance throughout the organization (Poister and Streib, 1999). Generally, we have two types of users. The first type is internal such as politicians and managers, while the second type is external users including citizens, banks etc. The focus on results control and financial measures is an indication for the use of PMS for rendering accountability, besides internal control. In public organizations, soft controls play a pivotal role in internal steering. This argument has been emphasized in empirics. In MKB for instance, the CEO strategic advisor stressed the significance of ‘soft controls and values’ for MKB. Likewise, in LKF, the CFO emphasized the importance of promoting a culture of performance among employees. MHCs are part of the political administrative system and an element of often complex accountability chains, so, accountability towards municipalities and citizens is seen as significant obligation. PI can be also used for benchmarking exercises (Ammons and Rivenbark, 2008). MHCs operate under pressure to submit regularly performance information to the public, through using benchmarking figures that can be compared with the peers in housing industry. Previous research show that the use of PI by politicians as potential users is not intensive and partly symbolic. Yet, it has also been argued that the type and intensity of PI-use within a public-sector organization depend on various factors including structures, culture, leadership and individual features of the users (e.g. Kroll, 2014). Based on our findings, politicians, municipalities, senior executives are very involved to ensure both accountability and internal control. Thus, the empirical basis is quite poor for this proposition as we observe that the use of PI seems to be quite intensive and to some extent functional rather than symbolic in both companies. LKF and MKB operate under strong external pressures from stakeholders. They are closely monitored by politicians, municipality, and community. In general, and based on the findings, one can feel that MHCs operate under enormous pressure that may exceed private sector organizations, mainly because they are expected to meet and manage different stakeholders’ needs and expectations. Accordingly, we cannot claim that performance measures in both organization is mainly used to render accountability more than internal control. Thus, we refuse this proposition.
PMSs in both organizations are one dimensional where the focus is on financial measures that compare actual financial performance with budgeted financial performance i.e. variance analysis. However, financial performance, although important, is just one dimension of an organization’s performance. MKB and LKF cannot be evaluated based on their financial performance. There is a wide agreement that relying solely on financial measures is insufficient to ensure strategy will be implemented successfully (Anthony and Govindarajan, 2007). Financial measures can lead also to dysfunctional behaviors such as gaming the numbers (Hope & Fraser, 2003). Owner directives and economic demands in MHCs may push TMT to focus primarily on achieving financial results. BODs are likely to apply pressure on the municipality’s behalf. This pressure can overwhelm the long-term, uncertain payback of the non-financial measures. There is also a risk that TMT will not pay much attention to non-financial performance as they see outcomes in terms of numbers rather than behaviors.

The absence of non-financial measures (drivers) in PMS in both companies is problematic as it weakens the linkage between PMS and strategy to serve a diversity of interests. It is critical that PMS incorporate both outcome measures and driver measures to make employees act in accordance with strategy. Through linking overall financial and strategic objectives with lower-level objectives an organization can achieve goal congruence. Hence, there is a need of PMS that blends both financial and non-financial measures and support employees to understand how their actions affect the strategy. LKF and MKB need tools for measuring their strategies through a holistic PMS. Lacking such tools would make them encounter difficulties managing what they could not describe or measure. An exclusive reliance on financial measures can make them do the wrong things. Financial measures are not enough as they are lag indicators in a sense that they are report on outcomes and the consequences of past actions. Thus, exclusive reliance on financial measures can encourage short-term behavior that lead to sacrificing long-term value creation for short-term results. Furthermore, we actually do not have enough information about the reward system (somewhat confidential), especially for executives and TMT in the companies. Yet, it is important to emphasize that linking reward system to short-term financial measures is outdated and is not strategic. As MHCs, LKF and MKB performance are closely monitored by key stakeholders. They are expected to deliver financial results while not sacrificing their social responsibilities. Thus, PI is used for the sake of both accountability and internal control.
Finally, I should mention that the focus on the financial performance in PMSs may give an indication that the most significant criteria when evaluating the company performance by the municipality is the financial performance, we do not know though. In this case, this may raise questions whether the lack of non-financial information protect the public interest and accountability. Both companies subscribe with the notion that the public interest coincides with a profit-oriented focus, which entails protecting the owners’ investments. Hence, as hybrid organizations, it is interesting to investigate to what extent the dual goals are considered in the evaluation.
CHAPTER VII: Designing the new MCSs

As I have touched upon in the previous chapters, relying solely on financial measures is inadequate. MKB and LKF should be more strategic through integrating non-financial measures that are closely linked to strategies and visions to support the financial measures. This will turn the focus from just financial numbers into methods and values that can influence employees’ behavior and improve performance. This will contribute to increase customer satisfaction and serve a diversity of interests, hence reconcile multiple logics. This is more sustainable approach not only to meet the financial goals but also to instill a culture of performance based on communication and transparency.

7.1 Why using Malmi and Brown’s (2008) framework

It has been widely argued that strategy is a contingency variable in the design and use of MCS (see for example Otley 1999; Simons 1995b). This means that MCS should align with strategy in order to reach organization’s goals. MCS should be tailored explicitly to fit the strategy in order to lead to competitive advantage and ensure superior performance.

The management control process is systematic but not mechanical. It is done by managers at all levels; it is done on regular basis; and it involves interactions among individuals (Antony & Govindarajan, 2007). Managers have personal goals that are not necessarily aligned with organizational goals. The challenge is to induce them to act in the best interest of the company. The consistency or agreement of managers goals with company goals is called goal congruence. Goal congruence should be considered carefully while designing and operating the management control systems (Antony & Govindarajan, 2007). A well-designed management control system should influence employees’ behaviour, in a way to ensure goal congruence. According to (Merchant & Van der Stede, 2012), if organizations were able to rely on its employees to do exactly what was best for them in all situations, there would be no need for control. In that sense, the well-designed performance measurement system should promote actions that are congruent with organization’s strategy (Kaplan & Norton, 1996).

There is a big debate on whether the formal (hard) or informal (soft) types of control are better for organizations. The use of many formal rules may make an organization less agile to act, yet without formal rules the organization can lose legitimate claims in handling the personnel (Adler & Bory, 1996). Thus, we can say that while the negative sides of bureaucracy hinder
creativity and reduce motivation, formal rules in bureaucracies provide clarified responsibilities and guidelines (ibid, 1996). The control package framework of Malmi & Brown (2008) is a holistic approach that expands the traditional “command and control” view of primary financial cybernetic control systems (narrow vision) through incorporating performance measures systems, informal controls, and cultural controls (broad vision). Thus, I chose this framework to build upon to design a conceptual framework of MCSs in MKB and LKF. The aim is to have a MCS model that is able to address multiple stakeholders adequately with providing PI, as well as regarding to external accountability purposes.

7.2 No radical changes are required

The framework of Malmi & Brown (2008) has been widely recognized in the traditional accounting. The control package framework is evidently applied to many of the Swedish companies such as Atlas Copco, Saab AB and Scania (Nilsson, F. et al, 2016). The reliance on soft controls such as cultural and personal controls in Sweden may explain this. LKF and MKB do not need radical changes and this was considered while designing the new system. However, traditional MCS that mainly rely on financial measures is outdated and no longer sufficient in today’s unstable competitive business environment. Traditional MCS have been widely criticized since the 1980s, a turning point in that respect is the seminal book of Kaplan & Johnson (1987) “relevance lost”. Both companies rely on financial oriented MCSs which are no longer adequate to provide the information needed to keep up with the changes in business environment. Yet, it is fair to mentions that the performance of the two companies has been more than satisfactory in many areas but, still, there is a room for improvement. LKF and MKB have customer focus strategies, yet they need to translate these strategies into measurable indicators. For instance, MKB has proclaimed the third place regarding customer satisfaction index NKI (70) in west Sweden, the best result the company has ever got. While, LKF achieved even a better result, in comparison to MKB, scoring (82,4), a pit decline in comparison to previous years. It is hard to imagine that both companies rely solely on results control to achieve this. It is more likely that other kinds of controls co-exist with the financial controls i.e. informal controls such as corporate culture control and personal controls. Thus, there are many similarities between MCS framework of Malmi and Brown (2008) and the existed MCS in LKF and MKB. Both companies, to some extent, rely on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time (i.e. corporate culture) as well as on personal self-regulation of employees to align their interests with the interest of the
company. On the national level, the Swedish employees appreciate empowerment and flexibility relying on experience instead of rules (Hofstede, 1983).

7.3 Introducing the model

I have discussed the original framework in the theory chapter, now I will discuss the updates and how they will function with other controls in the original framework. Additionally, in the light of empirics, cultural controls and organization structure control will be discussed due to their significance in strategy implementation.

Figure (8) is self-designed conceptual framework based on Malmi and Brown (2008)

In the proposed model, cybernetic controls were updated, replacing traditional accounting techniques (financial measurements, non-financial measurements and hybrid measurements) with BSC and ERP while retaining the budget (See the figure below). Budget should not be thrown away, rather it should be integrated with more strategic evaluating systems i.e. multidimensional PMS tool such as BSC instead of just focusing on a one dimensional control system. This would enable MKB and LKF to be more adaptive and flexible on the one hand, and to achieve specific financial targets on the other. By replacing these old techniques with BSC and ERP it is more likely that the value, through optimization of resources, will increase. Cybernetic controls represent accounting system which is the most important part of MCS because it supports other controls (planning, reward, and compensation) and make it possible to maintain discipline and control at different levels (Moilanen, 2008). BSC is incorporated in the framework basically to be used as a foundation for structuring the PMS as well as for defining appropriate KPIs. BSC measures would be beneficial to motivate and maximize the benefits of continuous improvement. BSC will have a blend of measures; measures for financial performance (the lagging indicators), supplemented with measures on the drivers, the lead
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indicators, of future financial performance (Kaplan & Norton, 2001). Adler (1999), in line with Ekholm & Wallin (2000), views BSC as a better fit for the organizations today because it is not only focused on financial metrics but also include non-monetary metrics. BSC is an efficient control tool that can enable a company to streamline its management decision making (Vieira, O’Dwyer & Schneider, 2017). According to Wahdiat (2016), BSC is a significant tool to support the implementation of management functions, including planning, organizing, actuating and controlling. BSC objectives and evaluation indicators are derived from corporate strategy (Kaplan & Norton, 1996a). It provides a comprehensive framework that would enable managers in both organizations to translate the vision and strategy of the organization into tangible goals and performance measures through the implementation of the four perspectives (customer, financial, internal business process, learning and growth).

The new MCSs should be based on transparency, real time data, real time management and communication. It is obvious that MKB and LKF need an effective information system that can manage financial and non-financial related data throughout the supply chain where all the information are in one place. A system that can capture all the processes, activities while being adaptive and flexible to incorporate changes quickly. According to Herrero (2005), the BSC methodology needs the support of an Integrated Enterprise Management such as enterprise resources planning, or ERP. Possessing many different systems can lead to very high costs for storing and rationalizing a redundant data (Davenport, 1998). This is probably the situation in both companies where there are other “systems” to work with customers, suppliers, environmental initiatives, new production, maintenance, etc. None of these isolated systems talk to each other i.e. violence of information. So, ERP system will resolve this problem and function as a central platform that can automate a transaction from data input, processing data output without much human interaction (Hsu, 2013). Today, ERP systems and software packages are critical for managing organizations, enabling them to get the flow of real-time data from different sources (Anthony and Govindarajan, 2007). ERP is able to streamline the flow of information where all the business processes become connected. ERP systems used by organizations to manage day-to-day business activities, such as accounting, procurement, project management and production (ibid). According to Chen, Liang, and Hsu (2015), ERP can be connected with external stakeholders, such as suppliers, banks and customers, providing real-time data and hence increase coordination and effectivity. It also eliminates data duplication and provide data integrity with a “single source of truth” (Anthony and
Govindarajan, 2007). All the information in one place so employees can report on it anyway they want.

The main objective of the model is to support strategy implementation through creating a synergy effect among the management control tools incorporated. Each company should select a blend of key measures that best represent its strategy. These measures are the key success factors, in a sense that, if they are improved, a strategy has been implemented successfully. To facilitate strategy implementation, the new framework must affect behaviors to create a culture of performance throughout the organization, this is also in line with empirics.

In public-sector context, the introduction of NPM and its doctrines has mainly aimed to promote a culture of performance and increase accountability (Hood, 1995). Cultural control is very important because it brings all the parts of the organization together and mitigate the risk of future conflicts. Internal control is integrated into the regular activities of the business so that it becomes natural for all employees to work with this on a regular basis. Indeed, there is a large body of literature that have found a close link between corporate culture and corporate performance (see for example, Kotter & Heskett, 1992; Petty, Beadles, Lowery, Chapman, and Connell, 1995). No wonder that cultural control is placed at the top row of the model, this is an indication of its significance because cultural controls can make the business or break it. Cultural controls change slowly and have a large deal of influence on how the other control tools work and develop. In Sweden, informal control can play a key role as Swedes have low power distance that indicates decentralization and direct communication (Hofstede & Hofstede, 2005). Managers rely on the experience of their employees and employees expect to be consulted i.e. climate of informality (ibid). Corporate culture also proved to be an important steering factor supporting the organization’s vision, goals and strategy to reach them but also making a stronger organizational structure (Sobis, Okouma, 2017).

Based on the empirics, both companies strive to promote a culture of performance. MKB, for example, has been successful in creating a good brand for itself mainly due to very engaged and involved employees who are willing to take responsibility and contribute to the company development. Culture control has also been emphasized in contributing to the success of LKF. Culture control is closely related and overlapped with personnel control and self-regulation, encouraging all employees to think and act in a way that consistent with the corporate culture. In a sense, we can view cultural controls as informal controls that imped beliefs systems and values
and norms existing within the organization. Informal controls are more likely to have a controlling effect, simultaneously, they have a considerable influence on the formal organizational controls.

For reward and compensation systems in the package, it should be performance-based reward systems, in which evaluation and bonus should be based on teams’ performance rather than individuals. MKB is, to some extent, successful in that. While the reward system in LKF is individual so it would be better to take a collective perspective, and encourage the team work spirit through the linkage with the reward system. Rewards should not be based on hitting financial targets, but non-monetary targets that are consistent with key metrics and that can be followed on regular basis, for instance, number of resolved complaints. deviations and errors should be considered carefully in order to learn about how to avoid in the future. Thus, coaching, training, and know-how through continuous learning are crucial. Simple metrics should be used to promote improvement. Another alternative is to link the reward system with BSC four perspectives and hence the rewards will be tied to balanced multiple measures.

Finally, structure control plays a key role to direct the behaviour of the organisational actors toward the implementation of the intended strategy and hence goal congruence. Both organizations have financial strategic goals that need to be achieve to meet the municipal demands and to have the financial power to make future investment that would create value for different types of stakeholders. To achieve that, they rely on profit centres approach in which each residential area has a profit and loss responsibility. Thus, they can identify the areas that are profitable and the ones that are not, and hence improve the internal control. Profit centers also moves more responsibility to the people who are closer to the customers, this in turn, speeds up decision making process, makes a company less hierarchy, increase employee’s empowerment, and strengthening agility. It is important to emphasize that structure should fit with strategy, otherwise it will hinder strategy implementation. For instance, LKF has customer-focus strategies. In order to support strategy implementation and to become closer to its customers, the company has adjusted its structure to fit with strategy. So, it is critical that the structure is integrated in the strategic plan during the process of strategy formulation, not afterwards.

In sum, the conceptual model is expected to fit in MKB and LKF, especially because working conditions encourage soft control whereas communication and team work are prevailed. Both
organizations are team-based organizations and that can contribute to mobilize knowledge, make proper decisions, reduce inefficiencies, and to continually improve work processes. The major aim of this model is to increase external support for the organizations and simultaneously increase internal effectiveness.

7.4 BSC is instrumental to reconcile the conflict between Contingency theory and institutional theory

Contingency theory and institutional theory imply different fits and predict different effects. However, an overall balanced organizational design that can reconcile this conflict may be reached.

This is consistent with Burton (2008) who argued that it is possible to find the optimal design while dealing with this conflict. While contingency theory posits internal effectiveness as an outcome, institutional theory posits external support. We need a PMS tool that can handle this situation by being widely popular while achieving effectiveness. I argue that BSC can be this tool. As I have touched in the previous section, BSC can increase effectiveness. While, from an institutionalist point of view, the implementation of BSC in public sector organizations has become “fashionable” and has been recommended by management-gurus and consultants. This is, mimicking the best practice and most advanced approaches (normative isomorphism). New management accounting approaches such as the BSC is regarded as institutional element (Chenhall, 2003). Institutional pressure from society plays a key role for public organization. As a result, organizations seek legitimacy for their actions and hence seek tools that confer the legitimacy they seek (Norreklit, 2003). This is also can be linked to coercive isomorphism. Taking into consideration that the use of BSC in the Swedish public organizations is very popular. Thereby, the choice of BSC is very convenient, not least, to handle the pressure from different stakeholders and assess the organization’s performance in a balanced manner from four viewpoints. In that sense, the conceptual model can increase external support simultaneously with internal effectiveness.
7.5 General Considerations regarding BSC in the conceptual framework

The number of measures should not be too much that can be resulted in losing focus in trying to do too many things at once. Besides, measures for financial performance (the lagging indicators), BSC should include few non-financial operational leading indicators that measure process not the people in accordance with strategy. Put simply, BSC needs to be more than a combination of 15 to 25 financial and non-financial measures grouped into four perspectives (Kaplan and Norton, 1996). The correlation between non-financial measures and financial performance should be well understood. BSC should tell the story of the business unit strategy. KPIs should help organization to direct their efforts towards strategy and test the progress of the organization. They must guide the organization to know what is needed to do and how much must be done. According to Anthony and Govindarajan (2007) KPIs should be (1) reflect accurately the success factors of the strategy; (2) show the relationships among the individual measures in a cause-and-effect style; and (3) Give a broad-based view of the current situation of the company. The cause and effect relationships among measures is the core of BSC.

Given that both companies have customer-focus strategies and that they seek to achieve financial strength to use it for future investment in new production that hopefully will add value to Malmö and Lund residents. It makes sense to re-order the four dimensions in the BSC based on the cause and effect relationships. In the original version of (Kaplan and Norton, 1996), three perspectives in the BSC work together to achieve a desirable financial outcome (the financial perspective). The measures of learning and growth drive the measures included in the internal business processes that drive the measures in the customer perspective that eventually drive the financial measures. My model is consistent with Kaplan and Norton (2001) as I adjusted the original version of the BSC by using the financial perspective as the starting dimension that drives the measures in both dimensions of internal business process and the learning and growth. Then, the measures in both perspectives work together to focus on what is necessary to achieve the fourth dimension; customer satisfaction. Put simply, through the proposed cause and effect relationship the financial measures will drive the non-financial measures. This in line with our empirics as it has been emphasized in both companies that financial strength is the starting point that would enable them to achieve their strategies and visions that are customer-centric. The ultimate goal is not financial health but rather customer satisfaction that would contribute to the municipality attractiveness. A balance among the different strategic measures in the four perspectives is required to achieve goal congruence and encourage employees to act...
in the organization’s best interest. The measures should be linked from top to bottom and tied to specific targets throughout the entire company.

KPIs in the customer perspective in the BSC should be linked to NKI. The index is customer-centric and is used to evaluate MHCs performance and measure how satisfy customers are. MKB and LKF have no measures linked to NKI. So, integrating some of the indicators that in NKI with BSC would be beneficial to monitor and evaluate constantly the areas of weakness that need to improve. The index need to be used more effectively because it is a very important tool that can improve PMSs and MCSs. The index basically is constructed based on non-financial measures that must be used by the controllers to monitor performance. The strength of this index lies in its ability to read out which areas, from the customer perspective, that the company needs to work more with. It is a customer-centric approach that based on the customer's assessment of the business and the value provision. Therefore, we can say that value-creating processes, from the customer's perspective, can also be derived from NKI. Thus, NKI should play a role in the MCSs.

**Figure (10):** BSC in public sector hybrids
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Strategic knowledge acquisition is pivotal in creating superior performance, both on the company and on the business unit level (Paliszkiewicz, Jalosin, and Brzozowski, 2015). The process of creating strategy should be iterative. In order to enable this, there is a need to integrate the PDCA (plan-do-check-act) strategic framework in the learning and growth perspective in the BSC. The PDCA is an iterative four-step cycle that is handy and useful model to frame such process. The PDCA is compatible with the process of strategy creation and continuous revision in the BSC (Kaplan and Norton 2008). Strategy formulation is built on propositions which should be tested through strategy implementation. During the process of the strategy implementation, “some opportunities could disappear while others arise and some action plans could become impossible, while others could become viable” (Pietrzak and Paliszkiewicz, 2015, p. 152). This process can be resulted in strategy modification (Peel 2012). In that sense, the PDCA is a learning method (Maruta 2012) as it includes both single and double loop learning. The PDCA is critical for effective organizational learning during strategic management process. The information generated from this process can be used by the TMT to create a strategic dialogue with BODs and the municipality, regarding strategy formulation and modification. In that sense, BSC can be seen as a tool to improve communication, set organizational objectives, and provides feedback on strategy.

![PDCA Framework](image)

Figure (11) shows PDCA framework, (pietrzak and paliszkiewicz, 2015)

Therefore, it is important that MKB and LKF work more proactive using interactive control systems that enable learning and formulation of new strategies (Simons, 1995). In that sense, the role of MCS will be broaden from just strategy implementation to include providing the
basis for thinking about new strategies (Anthony and Govindarajan (2007). The reliance of budgetary system alone is insufficient because it is originally assumed as a diagnostic control tool, because it serves the traditional purpose of evaluating performance and attributing responsibility (Martyn, Sweeney, Curtis, 2016). On the contrary, interactive control can facilitate the creation of a learning organization. The Swedish housing market is not stable, so creating a learning organizations is critical to corporate survival. Interactive controls, through using a set of MC information interactively, alert management to strategic uncertainties, both troubles and opportunities. Managers in turn, take this into account and think about new strategies to mitigate risk. It is important to emphasize that interactive controls are not a separate system but an integral part of the MCSs that tend to be none-financial information. Thus, it is vital to have non-financial measures that can support managers in formulating new strategies. Also, it is of great importance that measures are updated in accordance with strategy changes.

7.6 How BSC can be linked to budget in the new MCSs

According to (Kaplan & Norton, 2001), public sector organizations use the budget as their primary MCS for establishing targets and allocating resources, and reviewing performance. Public budgeting involves the selection of ends and the selection of means to reach those ends. It is very complicated to abolish the budgeting system in public organizations and hence keeping the budgeting system in the model was necessary or rather realistic. BSC is therefore used to bridge the gap between strategic planning, on one side, and budgeting and reporting processes, on the other. Bearing in mind, the compliance and requirements for external reporting, controllers and accountants cannot totally abandon the conventional MCS and hence budget is necessary to remain untouchable in the new system.

The empirics shows that the studied cases are customer-focused organizations and this reflects on their strategies and visions. Strategy are formulated at the top level of the organization by politicians (BODs) and TMT. However, both companies lack a process for strategy deployment. Put simply, the strategy has no direct linkages that would change the behavior and work of employees. Strategy also did not affect the budgeting process and reporting for periodic reviews did not adapt to the strategy. In that sense, the day-to-day work of employees is still disconnected from strategy development. Accordingly, budgeting and performance review processes are done separately from the strategic planning process. To address this weakness, the BSC should be developed from strategy (Kaplan & Norton, 2001). Managers should
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develop strategy maps to describe the linkages among objectives and measures in the four scorecard perspectives. Then developing strategic programs and actions that can enable business unit to achieve the targets set in the strategic plan.

Kaplan & Norton (2001) design a step-down procedure that MKB and LKF can follow to integrate BSC into their management process and hence link strategy to budget (See figure 10).

**Figure (12)** shows how budget can be integrated with BSC in a strategic controlling process,

Source (Kaplan & Norton, 2001, p. 285)

- First, translating strategy into BSC to define the strategic objective and measures.
- Second, a business plan should be developed to set stretch targets for each specific objective, along with intermediate milestones. To implement the plan, the company should identify the strategic programs that would enable the stretch targets to be achieved.
- Third, the company should identify strategic initiatives and resource requirement to close the planning gaps. Programs should have a person or department responsible for its implementation within a clear time frame. Recommended time frame is a three-year-plan, this would allow the company to manage the longer-term strategic themes and
provides a framework that allows rolling forecasts to be developed and incorporated into the annual budget. The programs should be displayed on cause and effect diagrams to illustrate the connection among the four perspectives in BSC.

- Fourth, authorizing financial and human resources for the strategic initiatives and embedding these requirements into the annual budget. Programs should be included in the operating budget and each program should be drilled down into one or more action plans. Action plans should be monitored using a real-time desktop software.

The annual budget should consist of two parts: a strategy budget to manage programs and an operating budget to manage the efficiency of departments and functions (ibid). The aim of the strategic budget is therefore to launch the organization’s trajectory, in year one, toward achieving the stretch targets established in the three-year plan. In that sense, budget is imbedded within a strategic planning process, allocating resources and determining short-term performance targets. Yet, it is necessary that deviations from budgeted targets will be analyzed in management meeting, mainly to stimulate learning, problem-solving and adaptation rather than to control and maintain performance to be consistent with the budget. This would allow managers to sign up for higher stretch targets when proposing strategic initiatives (ibid).

Thus, integrating BSC with budgeting processes is critical because the reliance on budget merely as a primary control system would make management attention becoming riveted on achieving short-term financial goals which will not serve various multiple interests.

In sum, budgets can be used to manage operations and control costs at the operational level i.e. managing tactical processes, while BSC will be used to manage strategy.

### 7.7 PMSs in Practice

In his influential book levers of control, Simons (1995) argued that most (MCSs) have a relatively similar design, however what really makes the difference is the way by which it is used. The new system of control package will have major implications for controllers and management accountants. It is likely that the new system will allow them to engage more closely. As they can guide the companies and managers with the instrumental reporting in taking effective decisions. Thereby, controllers can play a deterministic role in the value creation process. It is expected that the cybernetic control will be better in terms of time and
direction. BSC and ERP systems play strategic roles in this model. BSC communicates the strategy of the organization and turn it into activities that can help the companies to accomplish critical management processes. Through using ERP systems, both companies can capture the activities and transactions in the workflow populating a database. Database should be customized to analyze and present information in templates, which should be designed by every entity based on the strategic need and the decision-making nature. In that sense, the integrated MC tools can enable management to take timely and effective decisions. Simultaneously, MC tools can enable action plans for improvement in accordance with the strategic priorities at different levels. Through the control provided and synchronization of activities, ERP will increase efficiency. ERP will generate information regarding performance indicators and tangible and intangible investments that can also be used for strategic decision-making. In that sense, ERP will serve BSC in the strategic decision-making process through the planning, implementation and monitoring of company strategy. The model will supply controllers with valuable data that will empower them to analyze the whole supply chain performance (suppliers, employees, customer profitability, and KPIs) in order to achieve strategic objectives.

7.8 Controllers play key strategic role in the new system

It is crucial in the new system that financial data will be based on operational data and no separation between them but communication. In that sense, financial data should be the accumulation of everything happen. This means that financial data is not just abstracted numbers but it is strongly linked to operations. Communication is at the heart of the new MCS. So, it is crucial that controllers talk the same language when communicating with other employees in different departments throughout the organization. For instance, when talking with new production engineers and managers. Good communication to provide information at different levels up and down in the organization, is a key success. In that respect, controllers should work as facilitators for information flow not only to the top level but also to support the flow of the information in the operation level and then they accumulate these data and send it up again to the top level. In order to do so, controllers need to focus mainly on operational metrics not financial metrics. Furthermore, it would be easier if the controllers do not report a lot of financial figures. In that sense, the new design with a primary focus on operational metrics will widen the scope of management controller’s tasks to include non-financial metrics. MCSs in the control package should be integrated and should not be perceived as separated. This can be achieved through regular meeting with stuff which would enable controllers to discuss and
exchange their knowledge and expertise. So, the scope of controller role will go beyond finance to be more strategic.

7.9 Contingencies

Given that there is no optimum MCS (contingency theory), the design and use of MCS is contingent to some key factors. There are some pitfalls that a company may encounter when trying to implement the system. Unless the following problems are tacked, they could limit the usefulness of the conceptual model.

First, the effectiveness of the model depends on strategy and structure. A company strategy is very linked to its structure, which can enable implementing the strategy or constraining it (Collin, 2006). The model is based on customer-focus strategy. While the structure should encourage communication and soft controls.

Second, strong leadership is critical to fight against the predominant budgeting culture. Coherence is also a key, creating consistency between what senior managers preach on leadership and what they practice in their management processes. BSC requires strong commitment from the leadership, lack of commitment described by Kaplan & Norton (2001) as the biggest source of failure. Kaplan and Norton (2001) studied a number of companies and found in the majority of them that budgeting were done separately from strategic planning process. So, in many cases, the focus on managing the next year-end (budgeting) rather than supporting medium-term strategy, made BSC less effective (Hope & Fraser, 2003).

Third, the key success for the new model is controllers who their role will change significantly to be more strategic. This in turn will require that controllers develop new skills and competence. Controllers should measure what can be measured. Initially, they can cooperate with those who have relatively good knowledge about technical issues until they develop appropriate level of knowledge that enables them to design measures that can capture performance. They may need also to participate in various training programs, by which they can develop their skills.
Finally, public hybrids operate in very complex business environment as they have many different goals to achieve and often overloaded by control processes. Overdose control can send conflicting signals to employees and hence lead to confusion and loss of focus. So, striking the right balance in designing the MCSs is a key success of the new control package in order to make formal control systems (budgets, rewards) operate alongside informal controls (cultural) in the organizations. There is no simple recipe for how to achieve the right balance, yet this should be done, while designing, based on dialogue within the organization to determine how the chosen control tools should relate to each other (Kaplan & Norton, 2001). For instance, the correlation between non-financial measures and financial performance should be well understood. Also, the cause-and-effect relationships among the non-financial measures and financial measures should be accurately established.
CHAPTER VIII: Conclusion and Suggestions

8.1 Conclusion

The aim of this thesis was twofold:

The first purpose was to test this framework of van Helden and Reichard’s (2016a) in which the authors argue that a PMS of a hybrid organization will be typically characterized by a number of features;

The framework of van Helden and Reichard’s (2016a) consists of a number of propositions that have been tested. the findings, to a large extent, do not support the propositions in the framework. Only a support for proposition number two was found, otherwise, the remaining propositions either were only partly supported or partly rejected, or the results were diffuse. The absence of non-financial measures, integrated and supported by management information systems, in the PMS for both companies played a big role to determine these results.

No support was found for the first proposition that assume explicitly multidimensional PMS design for hybrids due to the large variety of goals. Because both companies rely on pure financially oriented MCSs that are results-based. financial targets are of greater relevance for both organizations whereas pure financially oriented PMSs are used. Just outcome measures are integrated in the PMS, while driver measures are not integrated. Therefore, one may draw a conclusion that the design of PMS in both organizations does not cover the various goals entailed to serve diverging interests of stakeholders. Hence, the findings do not support the first proposition.

Support was found for the second proposition that assume the linkage between PMS and organizational strategies will be quite diffuse as both concepts will only be loosely coupled. Neither MKB nor LKF have designed PMSs that are closely linked to their strategies. Both of the organizations have multiple goals, both financial and non-financial, that are linked to their strategies. However, the absence of non-financial measures in the information systems puts strategy implementation on risk. Put simply, we have strategic goals in both companies but we do not have measures integrated in PMSs. This may be viewed as a decoupling. Both companies have various goals that are likely to be in conflict and hence need a PMS to balance them.
Thereby, the findings support the second proposition as the link between PMS and strategy is diffused and loose in both companies.

No support was found for the third proposition that assume Clear and measurable targets will be used to a moderate extent because of measurement challenges inherent in non-financial targets. This assumption is based on the premises that PMS in hybrids are multidimensional. The absence of non-financial measures in the PMS make it hard to draw any interpretation about this proposition.

No support was found for the fourth proposition that assume Performance information (PI) will be used as basis for monetary rewarding of staff only to a modest extent because of measurement problems and cultural differences. The key driver for the rewards system in LKF is working hours per year, while in MKB it is based on a mix of team performance and individual contracts. Thus, the evidence is limited and somewhat ambiguous.

No support was found for the fifth proposition that assume Use of PI in hybrids will generally be medium intensive; PI data will be used more for accounting to external stakeholders than for internal steering. The empirical basis is quite poor for this proposition as we observe that the use of PI seems to be quite intensive and to some extent functional rather than symbolic in both companies.

The Second purpose of the thesis is to analyze the MCS/PMS in the chosen companies and understand the linkage with strategy, highlighting such areas that need improvement and, if needed, propose a conceptual model for MCS/PMS.

The analysis resulted in a weak linkage between the PMS and strategy mainly due to the lack of non-financial measures supported by management information systems. Basically, both organizations have various strategic goals but without clear measures integrated in PMSs. Both of the organizations have multiple goals, both financial and non-financial, that are linked to their strategies. However, the absence of non-financial measures in the management information systems put strategy implementation on risk. Put simply, we have strategic goals in both organizations but we do not have measures integrated in PMSs. The potential tension and confusion over the different goals can lead to decoupling as organizations may ceremonially endorse practices prescribed by social logic while actually implementing
mechanisms promoted by business logic. Exclusive reliance on budgeting systems is a serious problem because they focus on short-term financial measures which can be a stumbling block to managers trying to appraise their organizations’ performance from strategic long-term standpoint (Langfield-Smith, Thorne, Hilton, 2012).

It is clear that MHCs, as hybrid organizations, operate today in challenging business environment with multiple institutional logics that encompass divergent demands. MHCs are being managed as business-like organizations operating under conditions of financial independence (commercial logic), yet public housing is not freely managed but are constrained by accountability and citizen expectations since MHCs were basically established to serve the public interest and fulfil their social mission (social logic), additionally they should comply with laws and regulations, plans prepared by local, regional, and national and EU bodies (compliance logic).

However, exclusive reliance on one-dimensional PMS is not sufficient to generate the needed PI to meet various interests and achieve efficiency and effectiveness. Thus, based on the findings and to address these concerns, the design of a new MCS that incorporate both financial and non-financial measures deemed necessary. I proposed a conceptual model that based on the framework of Malmi and Brown (2008). The model based on the assumption that MCSs should not be studied and investigated in isolation to assess their influence on performance but rather should be studied as a control package. The control package contains both soft and hard controls. The cybernetic controls were updated to incorporate BSC and ERP, while budget is kept. Budget in the new model can be used to manage operations and control costs at the operational level i.e. managing tactical processes, while BSC can be used to manage strategy. In that sense, the model would enable the companies to be more strategic, through determining obvious measures and objectives for its processes and operations that at the same time should be closely connected to strategy. This in turn would enable each company to create some form of strategic advantage. Without this linkage between strategy and operations, processes will be without a coherent direction and they may mislead the organization to make internal decisions that either do not reflect the strategy, or conflict with each other, or even both.

BSC is instrumental in this model because it is widely recognized as an effective PMS. At the same time, it turned into a “fashion” as external community pushes public organizations to adopt the BSC methodology. In that sense, BSC fits in MHCs, not least, to handle the pressure
from different stakeholders and assess the organization’s performance in a balanced manner from four viewpoints i.e. *increase external support and at the same time effectiveness*. BSC can also affect both the supply and demand side of performance information (PI). The supply side can be controllers in MHCs who ensure strategy implementation, while the demand side can be the CEO who cooperate with the board and the municipality management to improve the organization's strategies and objectives.

Bearing in mind that navigating to a more competitive, technological and capability-driven future cannot be achieved merely by monitoring and controlling financial measures of past performance (Kaplan & Norton, 1996). A strategic MCS is necessary to provide information that managers can use to make both operational and strategic decisions. An effective MCS guides the behaviors of both managers and employees to achieve goal congruence (Merchant & van der Stede, 2012). Assigning performance targets is one of the significant components in MCS (Anthony & Govindarajan, 2007) because they influence behaviors, allowing employees interpret their own performances and motivating them as well. Public-sector hybrids need strategic PMSs that can assist organizations in effectively implementing strategies and in measuring organizational performance. This balanced multi-dimensional model can support hybrids in measuring outcomes (social benefits), besides outputs (economic performance). Hence, protecting the dual goals of hybrid organizations. This will offset the lack of linkage between the strategic goals promoted in the high level and PMSs that exist in the tactical level primary to implement these strategies. Therefore, the model will support organizations to approach the center of the common area of the circles through achievements that becomes favorable to all parties.

**8.2 Critical reflection**

Regarding van Helden and Reichard (2016a) framework, we tested the framework in just two companies so we do not know if the results will be valid using a bigger sample. Moreover, a limited number of interviews were conducted, namely three. One may argue that the reliability of the thesis could have been increased by conducting more interviews, yet this was not possible for many practical reasons such as the limited timeframe and the lack of financial funds. However, for many qualitative studies, one respondent is all what a researcher needs through selecting the person (s) of interest. The selection strategy for the interviewees was built on
interviewing both the provider (controller, CFO) and the user of PI (politician). Therefore, the interview approach was effective and efficient and also the most convenient.

Finally, the chosen articles for this thesis could have been selected more thoroughly according to the ABS ranking to ensure the quality and the reliability of the research. However, this was not possible due to the lack of research in this area. I have tried though to use the most recent articles that may will have a more contemporary perspective on the topics under research.

8.3 Theoretical contributions

There is a lack of research that have explored how organizations can cope with the continuing presence and demands of multiple logics (Kodeih, Greenwood, 2014) and what the implications for MCS/PMS design and use (van Helden and Reichard, 2016a). So, we have a knowledge gap regarding this area of research. Moreover, I have taken one step further through providing a conceptual model of MCSs that adopt a wider scope by not just focusing on PMSs but rather to include informal controls (culture controls) as well as other formal controls that usually forgotten (administration controls) despite its impact on strategy implementation and formulation. Of course, the case study does not allow generalizations. Yet, the proposed model, to some extent, is generic and hence can be beneficial for other organizations, public and private, depending on their contextual factors such as structure, strategy, and goal. The model was built to fix a classical problem that face many companies – the chosen companies for the research are no exception – in such dynamic, uncertain business environment; the overreliance on financial controls in PMSs. The model offsets this through integrating strategic management control tools (BSC and ERP) to support strategy implementation and formulation as well as to reconcile the different interests of the various stakeholders. In that sense, the thesis provides theoretical contributions and contributes to the general understanding of PMSs in public-sector hybrids. Based on my literature review, I could not find any research that explicitly designed a conceptual model for MCSs in public hybrids. In that sense, the research is unique and innovative and contribute to the field.
8.4 Practical contributions

It has been argued that the primary reason for limited relevance of academic research is mainly attributed to academic researchers, who seem to be “out-of-touch” with the language and challenges that face practitioners (Rudolph & Peluchette, 1992). Some researchers seem to make issues more complex in their attempt to theorize organizational phenomena through considering all possible manifestations and contingencies. What we really needed is to bridge the gap between academic research and practitioners by focusing on actionable knowledge that reflect reality. So, one of the strengths in this thesis is that the author of the thesis worked as a consultant and as a business controller in Sweden. The practical experience is perceived beneficial to simplify complex organizational issues. Hence, the thesis is in a sense a scholar-practitioner view. There is emphasis, in particular, on the implications of controller’s role to handle the competing strategic goals through the design and use of PMS and MCS. Hence, in many occasions throughout the paper I discuss specific issues from a controller point of view, how he/she can act to tackle particular problems. Overall, in the conceptual model, controllers’ role will turn to become more strategic to support management in strategic decision-making and give feedback about strategy implementation. The information can also be used in formulating new strategies. By using suitable measures to ensure effective and efficient performance, Controllers are simply the safeguards of the new model.

8.5 Further research

Given that we have very limited empirics that have explored how organizations cope with the continuing presence and demands of multiple logics (Kodeih, Greenwood, 2014) and what the implications for MCS/PMS design and use (van Helden and Reichard, 2016a), further research is highly recommended. Among other things to test the conceptual model which can be useful for other public hybrids, for example through empirical case study. This is a limitation in the current study due to the limited timeframe. Likewise, the framework of van Helden and Reichard’s (2016a) needs to be tested in more empirics. Also, it is interesting to conduct further researches from other angels. One recommendation is by focus on municipality perspective and investigate to what extent the dual goals in public hybrids are considered in the evaluation. Another recommendation is to conduct a research that explore how the BODs in public hybrids deal with the dual logic to reconcile the different interests of the various stakeholders. Given
the lack of research done to deal with performance measurement and management in hybrids, the suggestions will contribute to bridge this gap in literature.
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Appendix 1

Semi-structured interview questions, with focus on Company Strategy

1. Your role:
   - Describe your career within the company and preferably before?
   - Describe your current role in the organization?
   - Can you tell me a little about the company?
   - What role do you have in strategic planning for the company today?

2. The new law and its implications:
   - Can you give an overview of what the owner directives of the public housing companies in Malmö currently entails?
   - What does the municipality want to control through the owner's directives?
   - What changes have been made since the recent law came into force?
   - What are the implications for the owners' directives and their impact on the company, after the recent public utility law (2011)?
   - How does the company handle the balance because the owner's directive reflects the owner's expectations and demands on equity and return? The question thus arises if the municipality's return requirements on the company are reasonable?
   - What is the impact of the recent law on management and controllers work?

3. Organizational goals and strategies:
   - Tell me a little about vision, strategy and goal formulations and implementation?
   - How does MKB work to achieve these?
   - How does MKB is governed?
   - What are strengths, weaknesses, opportunities, and threats (SWOT) to MKB?
   - What do you think is the most important goal / goals that MKB is trying to achieve?
   - Is there a hierarchy of goals, if so - can you describe that?
   - What are the goals for your business area?
   - How are business objectives linked to the overall objectives and strategies of the organization?
   - Are there any conflicting goals? Name them and Explain?
   - What is the company's long-term and possible short-term strategy for the business?
   - How does MKB cooperate with the municipality in strategy formulation?
   - Are all the employees in MKB know the different strategies or do you think it is primarily the task of the management?
   - How do you work to ensure that the entire organization knows and understands the strategy?
   - How do you get everyone in your organization to work towards the set strategy?
   - What does the overall organizational structure look like?
   - Is there a logic behind the organization's structure choice in relation to strategy?
   - How do you work to implement your strategy in the business?
   - What factors do you consider to be the most important for success with your strategy implementation?
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- Why are these factors most important to you?
- Do you have a timeframe for implementing a decided strategy or do you see implementation as a constant process?
- How do you handle the guardians (resistance) against the determined strategy (if it occurs)?
- Do you have any follow-up to strategy implementation and how to improve the implementation process?
- How do you use the data generating from MCS and how this impact strategy implementation and formulation? Which measures do you rely on while decision making?

4. Competing logics

- Do your organization operate under competing logics?
- How you deal with this?
- What are the implications for MCS and PMS?
Appendix 2

Semi-structured interview questions, with focus on management control

1. Organization structure.
   a- What does organizational structure look like?
   b- What different responsibilities are there? cost, revenue, profit or investment unit?

2. Planning
   a- What are your planning processes like?
   b- What are your long-term and short-term goals?
   c- How are these goals set?
   d- Who sets the goals?
   e How do you coordinate the goals of different business functions?
   f- How is the outcome measured?

3. MCS
   a-What forms of management control do you use? (budget, non-financial key figures or BSC, benchmarking?)

4. Budget
   a-Do you use budget then?
   b- What does the budget process look like?
   c- How is the budget designed?
   d- Who participate in design?
   e How is the budget monitored?
   f- Are employees responsible for budget goals?

5. Financial measures
   a- Do you use financial key indicators?
   b- What financial key figures do you use?
   c- How are the financial ratios followed?
   d- Are employees held responsible for specific financial target?

6. Non-financial measures
   a- Do you use non-financial indicators?
   b- How are those non-financial ratios followed?
   c- How do these non-financial ratios analyze?
   d- Are employees held responsible for non-financial key figures?

7. Hybrid system
a- Do you have hybrid measures (financial and nonfinancial)?
b- How the MCS is designed to integrate both measures?

8. Customers

a- How do you work with customer satisfaction?
b- How is the outcome measured? Do you use Satisfied Customers Index (NKI)?
c- Can you describe how it works? What key figures do you use?
d- Who works with customers?
e- Do you have any contact with customers?

9. Reward System

a- What does reward system look like?
b- Is reward system based on team or individual performance?
c- How affect reward business?

Guidelines and routines

a- Are there rules for who will make different decisions?
a- Is your organization based on vertical hierarchy?
b- How do politicians in the board affect decision-making?
c- Are there any determined decision-making processes?
d- How the municipality affect decision-making processes?

10. Corporate Culture

a- How would you describe the culture of SMEs?
b- How do you work with new employees to easily get into this corporate culture?
c- Are new employees educated? Do you get training or training as in the control group? Do you continue to train yourself in the meantime?
d- Are there any common values?
e- Are you proud to work in your organization? Why?
f- How does culture contribute to achieving business goals?

11. Competing logics

a. Do your organization operate under competing logics?
b. How you deal with this?
c. What are the implications for MCS and PMS?