The Management Control Portfolio – Set to Handle Our Governance Challenges?

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Track: Corporate Governance

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Abstract

We present an ecology view of management control tools and concepts as a way to capture the dynamics in the field and grasp where they come from. In so doing, we propose an alternative way of structuring management control terms into families, according to governance challenges addressed, to provide an overview of the field and facilitate an analysis of the dynamics. We start on such an analysis with both historical examples and attempts at looking forward. The proposed structure does not reveal any clear group of concepts or tools for sustainable management control. Therefore, we draw on a model for human-centred organising to guide the assessment of imbalances and the sustainability of management control packages. Exemplifying with current organisations, we demonstrate that from a narrow organisational perspective, human-centred control is not necessary for success or survival; strict economism can work for a high-profiled company, even if it appears to be detrimental for society. And value-based, trusting, non-monitoring management control also seems to be for particular, high-profiled (and possibly not very large) companies, rather than a realistic mainstream alternative in our mainstream world. We end by identifying plausible trends and future challenges for management control.

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Introduction

Academic and management literature, as well as practice, is teeming with management control concepts, tools and ideas, like New public management, Value-based management, full costing, budgets, (key) performance indicators, strategy maps, kaizen… New varieties, and sometimes even new species, keep appearing. We who are in the game, attempt to keep a grip on the existing flora, while scanning to detect what is on the rise – new or merely rebranded. Which new ones are merely varieties in already existing families, which ones are rather to be considered as new subfamilies, or even new families? It is unlikely that we will wake up tomorrow to find that a new concept has completely taken over – processes are much slower than that. But it can still feel reassuring to be familiar with the novelties when new concepts are trending. A comfortable way of keeping abreast, is to follow the management control literature – both via central management control journals and via management books. However, if we are not content to just follow, but really want to approach the front and perhaps even participate in driving it to handle upcoming governance challenges, what alternatives are then available?

Below, we present an ecology view of management control tools and concepts as a way to capture the dynamics in the field and grasp where they come from. In so doing, we propose an alternative way of structuring management control terms (into families based on management control challenges) to provide an overview of the field and facilitate an analysis of the dynamics. We start on such a dynamics analysis with both historical examples and attempts at looking forward. The proposed management control family structure does not reveal any clear group of concepts or tools for sustainable management control. Therefore, we draw on a model for human-centred organising to guide the assessment of imbalances and the sustainability of management control packages. Exemplifying with current organisations, we demonstrate that from a narrow organisational perspective, human-centred control is not necessary for success or survival; strict economism can work for a high-profiled company, even if it appears to be detrimental for society. And value-based, trusting, non-monitoring management control also seems to be for particular, high-profiled (and possibly not very large) companies, rather than a realistic mainstream alternative in our mainstream world. We end by identifying plausible trends and future challenges for management control.

Ecology views

Ecology, often more precisely termed business ecology, is a concept that has been rapidly gaining ground the past decade[1]. According to one interpretation (e.g. Moore, 1993), termed business ecosystem, it is simply a new (and possibly somewhat wider-scoped) term for what used to be called business network (more of collaboration between equals) or virtual organisations (collaboration directed and organised by a strong party, or at least by a party with a strong and selling vision). We prefer to view the ecology concept as something more profound, an attempt to capture a world with many communication possibilities and many opportunities for border- and limit-transcending business initiatives and, not least, travelling ideas (cf. Westelius & Lind, 2016). The central-actor-controlled networks that Moore (1993) terms business ecosystems, are dynamic networks of interacting organisations, but with two problems from an ecology perspective. One is the control wielded by the central actor (or a few central actors). But like the ecology concept in botany and zoology, an ecology (or an

[1] Ecology views, drawing on the organismic conceptualisation of organisations, that was introduced by Burns & Stalker (1961), and on the open-systems idea developed by the biologist von Bertalanffy (1968), have led to the introduction of the terms *business ecology* and *business ecosystem* in business studies.

ecosystem) is something that no one controls. There may certainly be stronger and weaker actors, but no one has the complete picture or complete control[2], and it is the dynamics, not the stable and constant, that serves as foreground. It is always possible that new, viable mutations arise or that immigration from other ecological niches unsettle the existing balance. The other problem with the Moorean business ecosystems perspective is its restricted field of attention. If the field of vision is restricted to those parties that the strong party believes it is able to control, many of the potential sources of change will be excluded from the mapping. When we talk of business ecology in this text, we mean a dynamic, large set of interacting, and potentially interacting entities, where ideas, concepts and practices may come to influence parts of the set far from where these ideas, concepts or practices originated.

The management control flora is not just populated and controlled by management control specialists. There are many philosophies with more or less obvious control ambitions that give rise to new control schools or tools, and which can come to affect what is in vogue or passé at present. At the same time, the management control flora is rather rich in species and the species rather resilient. Management control models seldom become completely extinct (and it is rather unusual that additions are entirely novel).

In this article, we provide a draft of an ecology overview of management control. We focus on concepts, philosophies and models, but proponents, advocates and users – and opponents – are of course also important components in the ecology. We welcome suggestions on what more the ecology contains. Our aspiration is that the ecology will contribute to both an overview of the management control field, and an improved possibility to see how the field develops – what grows, shrinks, is added or possibly even disappears.

Management control concepts and models

From a start relatively poor in species, with double Italian bookkeeping, DuPont diagrams, payback time, full and marginal costing, the field now overflows. There are concepts, such as Lean, New Public Management, process orientation, CSR, value-based management, different types of multi-goal approaches, and tools, such as ABC, BSC, CMM, TBM, VBM, LCC, EVA, SROI, etcetera (Figure 1).

Some have come from quality management, with zero-fault philosophies, target costing, kaizen and continuous improvement as ideas for controlling operations. In pursuit of efficiency, norms and standards have become important, not only for output, but also for processes.

The ISO family is gradually expanded and since the 2000 generation of ISO standards, there should be a learning component, an improvement process, as part of each standard. In this process-focused tradition, CMM, capability maturity models, has become an ideal. Worst is not even thinking

Figure 1 Management control terms

[2] For example, Apple, although large and powerful, does not control the Internet, the catalogues of content providers or even the app developers (who themselves chose if they want to use the Apple app store as a market channel for their apps – and often also provide them to other customers in versions for other OSs (or even for iOS) via other market channels.

process at all. Best is to have fully identified processes that you live by. The advantage is reliable quality according to the norm. The disadvantage is the lack of flexibility and the focus on the map, the norm, ahead of the surroundings. Learning and improvement processes are included in the approach, intended to deal with the shortcomings, but they too risk being myopic and formalism-focused.

In a capitalist society, it is not surprising that much of governance thinking has come from a shareholder's value perspective, but economic-man thinking has gradually given rise to more elaborate tools to counteract gambling behaviour and short-sightedness – Economic Value added, Life-cycle costing – or to better capture causation, tools such as ABC, activity-based costing. The rise to prominence of NPM, new public management, in public management since the 1980s, this more commercial, business-derived and performance-indicator-based brand of control, has also caused much debate. Simplified ideas from the quality track, such as time-based management (that eliminating time wastage is the best way to efficiency), and costing-inspired tools, such as TBABC (Time-based ABC) and value-based care are current approaches that are advanced as The teachings of salvation – and arouse resistance from practitioners who perceive that in their eyes important values are not taken into account.

In the public and non-profit sectors, much of the management control effort has instead been activity-focused with a one-year perspective. The annual wheel describes the work with operational planning, which normally results in a document with intended activities, possibly mainly described in text, and where also the results are outlined in text rather than numbers. Of course, there is a budget, but its importance for the planning and execution of activities at local level has not necessarily been predominant. However, management by numbers, often NPM-inspired, continues to gain ground in public and non-profit organisations. But that development is not homogeneous – there are endeavours in other directions. In Sweden, with the successful bank Handelsbanken at the forefront, the value of budgeting was questioned (Wallander 1994) and during the 1990s, a beyond-budgeting movement (Hope & Fraser, 1997) grew, however, without becoming dominant.

Part of the rationality track has, within the scope of shareholder value, tried to find ways to also handle parameters that cannot easily be translated into monetary terms. Multi-goal approaches have come to be popularised, for example as balanced scorecards and strategy maps, where different dimensions are needed for the long-term success of the business. But while promoting a multi-goal logic, there were also efforts to show how the different dimensions together lead to economic viability (Kaplan & Norton, 1996). Others have, from a stakeholder perspective, argued that multi-goal approaches are needed because (the many) different stakeholders have different values and strive towards different goals. Therefore, in order to maintain a negotiated balance between different stakeholders, management control needs to take into account multiple, possibly incompatible objectives. Perhaps this balance is something that not only comes through more regular negotiations; the moral compass of those in charge should also include values that do not have a clear negotiating voice (Brytting & Westelius, 2014).

Social responsibility (and CSR governance) could be seen as an intrinsic value to consider. Social return on Investment (SROI) is even trying to put the social consequences in the foreground, within the framework of a business rhetoric (Nilsson & Gordon, 2012; Jannesson & Jonsson, 2015). To this, Triple Bottom Line adds the environmental ecological perspective, and the Integrated-reporting movement goes on to add also manufacturing, intellectual and human perspectives. The environmental issue is unfortunately much more serious than just being a temporary focus on management control, but it is no daring guess that we will see additional perspectives intermingled with financial, social and environmental in the future.

Gender, ethnicity and various political considerations can be expected to take on greater prominence in management control in a not too distant future.

Thus, economic governance has long been far more than financial values and key indicators. Not only practitioners (from high-profile Swedish managers Janne Carlzon and Percy Barnevik in the 1980s to American Yvon Chouinard and South African Elon Musk) but also academics (such as Ouchi (1979), Simons (1994) and Malmi & Brown (2008)) see social influences, values, recruitment, etc. as key areas for levers of control. Values management, Customer centricity (moment of truth), clans, communities, etc. make the recruitment and selection of employees to a question that partially replaces, partly complements classical financial control tools. In recent years, not least start-ups and tech companies have emphasised the importance of engagement, and passion has become a watchword. With people passionate about the business focus (and possibly with good access to risk capital that finances the business?), governance becomes more a matter of finding and releasing (or not thwarting) the passion. A poster-name such as Patagonia may largely work according to such principles, but that passion can replace more traditional forms of governance in the long run, can be difficult to imagine in the vast majority of companies.

Concepts and tools

The unsorted mass of management control terms depicted in the tag cloud in Figure 1 may be descriptively valid as an ecology-view of the current state. They, and more, exist, are used in different combinations – with or without central overview and careful considerations. But as Linnaeus started systematising the study of plants by creating a taxonomy based on similarity and difference, according to which individuals could be sorted, we will try to help make sense of the mass of management control terms by proposing a framework for sorting them. One dimension to use is to arrange the terms by abstraction level. Some are more of a concept, or basic approach (economism, stakeholder perspective, management by values). Others are more of specific tools (full costing, target costing, burndown chart). Yet others are in between, with a more or less clear connection to a basic approach and have – or have inspired – one or more tools. Thus, it would be possible to plot them in a two-dimensional space, where the vertical dimension goes from the more comprehensive, conceptual ("concept" in Figure 2) to the more concrete ("tool" in the figure). The vertical dimension therefore represents some form of ordinal scale. Such sorting can make it easier to identify and distinguish between hands-on tools and more conceptual terms. However, such sorting only provides limited help in making sense of the mass of concepts, since it does address the issue of what the tools and terms would be used for. Malmi & Brown (2008) provided a type of such sorting that has become widely known and often used to chart the “package” of management control tools used in organisations. Their sorting into the categories Culture, Planning, Cybernetic controls, Reward & compensation, and Administrative controls distinguishes between types of levers, but it does not explicitly address the issue of what types of governance challenges the management control tools are supposed to address. In contrast, we attempt to differentiate based on key governance challenges. As governance challenges are multi-faceted, the resulting dimension, the horizontal one in Figure 2, is more of a nominal type, with classes (families of concepts), not a clearly traceable ordinal scale from challenge X to challenge Y.

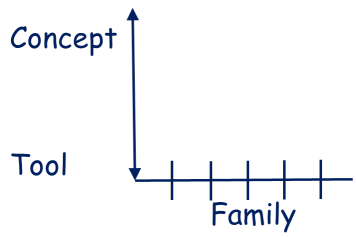

Figure 2 Two term dimensions

The families thus represent classes of concepts and tools, grouped by the key governance challenges they are striving to highlight and address (Figure 3). Here we look at them from right to left. The rightmost is the classical one in (capitalistic) management control, and with roots also in economics. It forms the core of management control as taught at business schools and forms the mainstream in management control journals like Journal of Management Accounting Research, Management Accounting Research, and Journal of Management Control. When self-interest is taken to be a key characteristic of all actors, and financial value maximation the obvious goal, agency problems stand out as the main challenge to handle: how can owners, and by delegation, managers, try to make the (other) self-interested actors behave in line with the owners' interests? People, equipment, capital, reputation, etc. are all seen as resources to be utilised in a financially value-maximising manner, and the tools to employ are based on measuring, rewarding and punishing. This attitude to governance is here labelled *Economism*. In contrast, a *Stakeholders perspective* views the main challenge as a multi-faceted one of power and conflicting interests. There is not a common and overarching financial-value-maximisation ideal; there are many types of stakeholders (not just principals and agents), and each type may have its own cherished ideals: social solidarity, environmental preservation, national security, norm preservation, political power ... If this is the dominant challenge to handle, negotiations between (many) parties will be the norm, and the management control tools will aim to support negotiation and the detailing or visualisation of different stakeholder interests, and how they are catered for. The *Quality-focus* category in the middle of Figure 3, is again a more uniform one, ideal-wise. Here, the main challenge is how to achieve and maintain high output quality. If top quality can be achieved, customer satisfaction, sufficient profitability, etc, will follow. Management control tools are therefore developed to clearly operationalise the relevant quality concepts and help identify and deal with threats to the attainment of quality. A somewhat related family is the *Process view*. Here, rather than output focus, the process for creating the output is seen as key, and process predictability is the main concern. Uncertainty, variation, improvisation, etc. are threats to predictability, and should therefore be minimised. The organisation is viewed as a machine that should be made to work reliably, and this reliability is to be achieved by standardisation of (entire) work processes. Some tools will be similar to those in the quality-focus family, but the idea that everything should be run according to an overarching systems design, where the system consists of described processes, which in turn consist of described activities, and that work is performed according to the descriptions, rather than in a possibly superior improvised or individualistic manner, is absolutely fundamental. The last group, *Management-by-values*, sees a completely different core challenge. In a volatile and changeable world, predetermined work descriptions, plans and detailed standards will often be insufficient, even hindering, in conducting a business. With detailed control viewed as inappropriate, and empowered action as the more sustainably successful road, the main management challenge becomes how to achieve a sufficiently shared view of values, norms and goals to enable coordinated and compatible actions through individuals acting on their own assessments.

Management-by-values	**Process view**	**Quality focus**	**Stakeholders perspective**	**Economism**
What do we want to achieve and how do we want to be? Detailed control impossible. Everyone must think for themselves based on shared values, norms and goals.	**Predict-ablility. Machine;** Make the machine work reliably. Standard-isation. Systems design.	**Quality as the very core.** Clearly operation-alised quality concept	**Power and conflicting interests.** Negotiations are the norm	**Self-interest and financial value maximisation.** Agency problem. Resources in focus. Measure, reward / punish

Figure 3 Key governance challenges per family, and ways of dealing with the challenges

As governance challenges are multifaceted, these five families do not only have differences, but also some similarities. Is not all governance based on values? For example, a quality focus could be viewed as building on a set of values, but in the quality focus family, the overarching value, product quality, is a starting point, rather than something that is to be articulated, defined and agreed on through a management control process: there is already a large set of management control tools developed specifically for quality management, and the application of these tools are an important part of the daily operations, whereas it is the agreed values that the individual is supposed to interpret and attempt to act according to. Are not the quality focus and the process view family striving to reach the same goal? Possibly, in specific cases, but we want to view them as separate families, because the foci for how to achieve that goal are different: achieving success by focusing the end result, versus focusing the process steps for getting there. Governance in a specific organisation will often encompass aspects from more than one family, but we contend that such combination should be the result of a conscious wish to address different governance challenges, and that due attention is paid to if tools from one family clash with the goals of tools from another family, or if the can be fruitfully combines.

Placing tools or concepts within a family does not necessarily mean that they are compatible with each other (a characteristic whose importance is emphasized by, for example, Grabner & Moers, 2013). And that they belong to different families does not mean that they are necessarily incompatible. However, because the idea of families is an attempt to arrange concepts and tools based on ethos, compatibility can probably be expected to be greater within a family and the risk of collisions increase if tools are combined between families without clear recognition that they are designed to address different control challenges.

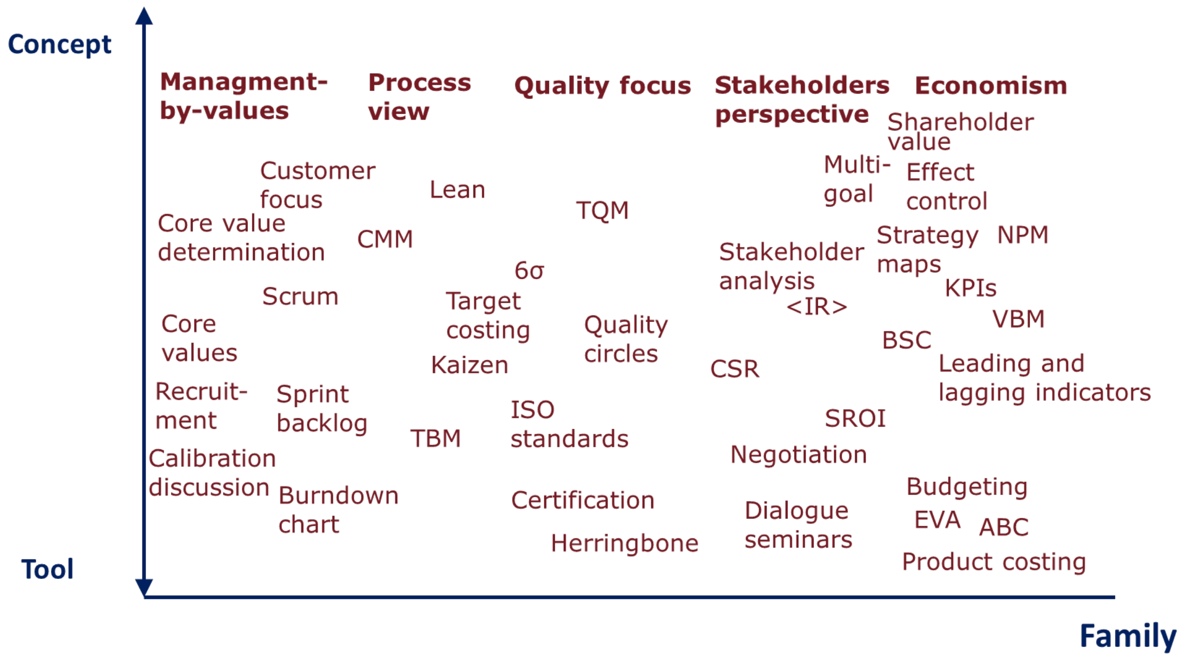

Figure 4 Management control families

An attempt to plot management control terms on this plane could look like Figure 4. The most classical management control terms, with tools such as budget and product costing, have been arranged under *Economism* and the concept shareholder value. High up, KPIs and NPM have been placed. Multi-goal control may, as noted above, either be within the scope of a shareholder-value view or more descended from a multiple-stakeholder perspective. Multi-goal has therefore been placed in the borderland between the "families" economism and *stakeholder perspective*. Strategy maps and balanced scorecards originated in shareholder-value thinking, but have come to be used also for public and non-profit enterprises, but usually based on the view that it is the organisation's principals who legitimately determine the content of the map and the scorecards, rather than that they should be a negotiation result influenced by different stakeholders on a more equal footing. They are therefore placed mainly in the economism family. The stakeholder perspective rather includes, for example, integrated reporting (IR) and CSR, where the idea is that stakeholders in the surrounding society, not just direct principals, should be given a clear priority in the governance.

Quality focus can of course be seen as something that can occur in many traditions, but seen as an overarching concept, as in this figure, it is about governance traditions that really put product quality first: If the quality is the overarching goal for everyone, the business will be profitable, customers and staff will be satisfied and unfavourable external impact can be kept down. The more tool-related manifestations include quality circles and herringbone analysis. ISO standards and certifications are quality concepts and tools with more affinity to the *process view* as a general principle. Here, maximum quality is no longer the focus, but rather the standardised business processes that generate clearly predictable results and products with clearly and steadily defined characteristics. Norm fidelity and certification are important elements of process-view governance. Squarely in the process-view family we find, for example, Lean, where the trimming of processes and the elimination of waste (time and other) are in focus. The process-view family prominently also includes CMM (capability maturity modelling) – the elevation of process fidelity to primary concern.

Within the *management-by-values* family at the far left of the picture, customer centricity (or customer obsession, even) can be found – the idea that if customer focus is the guiding principle for everyday choices, the business will be successful in the long term, but also that satisfying the customer is more important than following prescribed routines or defined quality criteria. (Customer focus can be important also in the process view, but there, subordinate to process fidelity and consistency. Pleasing a customer by disregarding the prescribed process is not acceptable in a strict process orientation. There, customer desires shall be evaluated and satisfied via the decided processes. The process can be altered, but not to suit the odd customer wish, and not as the result of an individual's idiosyncratic assessment. Likewise, customer focus can be a mainstay in the Quality focus family, but idiosyncratic customer-pleasing, regardless of organisationally defined quality criteria, is not acceptable there.) Further down, Scrum with Sprint backlogs and Burndown charts are also available as a way to ensure in everyday action that customer priorities govern (usually product development, but also, for example, management work). Scrum has large elements of processes, but not in the same detailed controlling manner as traditional process orientation. In Scrum, it is rather conceptual processes in the form of management and coordination principles and activities: scrum meetings, sprints, backlogs. These principles are intended to promote agility, workgroup coordination and awareness, and step-by-step customer- or user-centric prioritisation, rather than form the basis for detailed processes that should be meticulously followed.

More generally, the management-by-values family builds on the guiding principle that agreed values should govern the individual employees' actions; detailed job descriptions or product and process standards are unfit to handle the changing and challenging business environment. The employees' judgement will frequently be exercised, and what can then hold together and focus the business in the right direction are the fundamental values. Note the plural form, values, unlike, for example, fundamentalist quality focus, or customer obsession, where one overarching value is to govern. In the management-by-values family, values may include decisiveness, respect, thrift, honesty, environmental awareness, etc. But it is not just a list of desirable values. As in the top half of Simons' levers (1994) (see Figure 5) values concern both what is desirable (belief system) and what is to be avoided (boundary system).

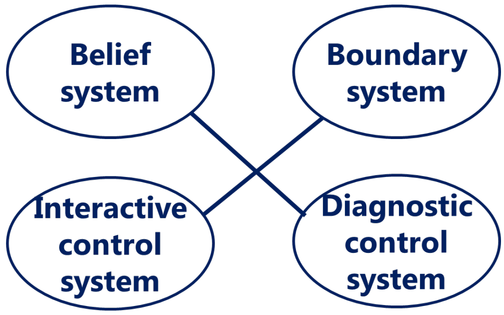

Figure 5 Simons' Levers of control

Core values determination and calibration and (documented) values are popular tools (often even in businesses that do not rely primarily on values management, and often without any effect on the business). More effective tools are to be found in the recruitment process (to find people with the "right" values, rather than believing that you can shape people's values) and calibration conversations (to frequently meet colleagues and discuss challenging situations: how you have handled them, how colleagues would have handled them, and how to be able to manage them in future or learn from them to better cope with new challenges). What is being calibrated is the interpretation-in-action of the fundamental values. Calibration conversations can be a planned part of the work, for example in activities where other forms of governance do not have a prominent role (Gullberg & Westelius, 2015), but can also be a spontaneous everyday activity (Westelius, 2001), even for example in enterprises with clear instruction-control ambitions (Ekman, 1999).

It can be noted that sustainability is not a family in Figure 4. The reason is that sustainability, although definitely important, can take on many different meanings and therefore does not centre on one key management control challenge. So far, it does not qualify as a family with a clear set of management control concepts and tools. Different organisational functions may have different views on sustainability, even if most functions would have some type of going-concern aspiration; they want the organisation to keep operating, well into the future. To make this possible, HR may foremost think of recruiting and handling organisational members in a way that keeps the "human resources" healthy and properly trained. R&D may seek to develop products that meet present and future customer needs and have a low environmental footprint. Production may be concerned with maintaining productive capacity of sufficient quality and at competitive cost, etc. To accomplish this, they may be employing different tools from different families – and, as noted above, perhaps be inclined to have different preferences at the concept level. It is unclear if this leads to sustainable management control, or if it is more likely to result in faddism or unreflective traditionalism that generates unintended conflicting signals. So far, ecological sustainability has mainly been dealt with using existing tools from all families, with specific tool development in the stakeholders family (<IR> and SROI, although the latter is close to the economistic family). The future will show if new tools or adaption of existing ones will be the main answer to sustainability issues.

The dynamics of the management control portfolio

If you want to be able to capture the dynamics in the graph, development over time, it would be valuable with a Rosling-style animation[3], with size indicating the importance of the respective concepts (adoption or impact), and perhaps geographical and/or sectoral classification.

In the introduction, we advocated an ecological approach, not only to see what is in the field and how it evolves, but also how concepts and values come to the field of financial control, and

[3] Professor Hans Rosling, MD, became a public figure through his presentation of animations of the health situation over time in different countries, preferably in relation to economic development.

from whence. It is difficult to foretell the future, not least by just looking in the rear-view mirror and drawing out the visible trends, but something should still be possible to learn from seeing how the field has evolved up till now.

Looking back, we see a growth in the field of management control by the incorporation of different forms of governance under the label management control. This can have many causes. One is the imperialism of controllers – to see themselves as steering experts and to include ever greater variety of governance under their definition of the field, and moving out of what Olve calls the controller's "Secure Corner" with accounting data and reports (Olve, 1988; Nilsson, Petri & Westelius, 2016). Another is that management has evolved and that traditions and tools have been created, partly in response to the need for new or modified forms of control, partly as a result of a growing cadre of people interested in management control, trying to launch models, concepts and tools in order to be seen – and to sell. The need – and demand – has grown because successively, larger organisations need to be coordinated, possibly over increasing geographical and cultural distances. Here, digitisation has been both an enabling factor for the development of the organisations and the organisational networks, and an enabler of ever more data-based management control (Cöster & Westelius, 2016). But the development has also been driven by consultancy companies that earn big money in proposing and conducting mergers (M&A, mergers and acquisitions). Furthermore, the growing toolbox itself has given rise to its own growth and development, in order to deal with increasingly obvious clashes between different control instruments. The noted problems have given rise to thoughts about the need for coordination – to see management control as "a package" that should be coordinated, rather than as the sum of all organisational functions' and staff units' individual governance attempts (Grabner & Moers, 2013).

Consulting companies and management writers will continue to be sources of changes in the management control portfolio. And noted problems (really tangible or just cleverly marketed) will also in future be signals that initiatives and novelties could be developing – or leave room for our own contributions.

One type of dynamics we can see in the rear-view mirror, and which is likely to keep occurring, is pendulum movements. Already two hundred years ago, Hegel noted that knowledge development tends to occur by the prevailing perception eventually beginning to be filled with contradictions, giving rise to a counter-movement to deal with them; thesis is followed by antithesis, and a possible synthesis is by no means an end point, but is followed by a similar development. This pendulum movement – or spiral, if one imagines that it after all leads onwards – is quite universal and is also visible in the development of the control field. The wave of decentralisation in business in the 1980s, with customer focus and customer attentiveness, was followed by stricter governance, standardisation and centralisation during the 1990s. In the public sector, the strong expansion and good supply of financing in the 1970s and early 1980s was followed by NPM, stricter governance and more metrics, starting in the 1980s – a development that is not completely replaced yet. That public and private activity do not necessarily go in step is visible in the example and in its continuation, where the spread of NPM in the public sector coincided with the emergence of storytelling, mission and vision and an emphasis on passion in business, to handle the erosion of sense of meaning and dedication caused by hard management-by-numbers. But the business world does not move in step either; Amazon's extremely measurement-focused and individualism-promoting control coexists with Google's and Microsoft's efforts to provide or maintain a sense freedom, group spirit and creative engagement.

Different human needs that governance must meet

There is talk of hard and soft control, key indicators and core values, and various external factors, such as competition and industry maturity, are considered to set different requirements for management control. And so do organisation-specific factors, such as size and risk appetite. Other traditions focus on how those controlled may need different types of steering (Hersey & Blanchard, 1969). Situational leadership does not ignore the organisation, task and environment, but stresses that the inexperienced and insecure, the inexperienced but confident, the competent but unwilling and the highly capable and confident all need to be met with different control actions – differences in how much and what type of control. In such a human-centred tradition, we as practice-based researchers (Brytting, Westelius & Westelius, 2004; Westelius, Brytting & Westelius, 2013) have moved on and identified four types of human needs that need to be met also in organised cooperation, summed up in the model MARC, see Figure 6**.** Meaning (the wordless: to be able to see a higher meaning and to be allowed to use intuition); Authority (coordination and power to act (when the other three do not well satisfy this): to acknowledge and follow the decisions of a (competent) superior, and to set up and comply with rules); Rationality (reason: to be able to see the logic and to be allowed to question); and Care (human relations: to be seen as a human being and to experience and express joy).

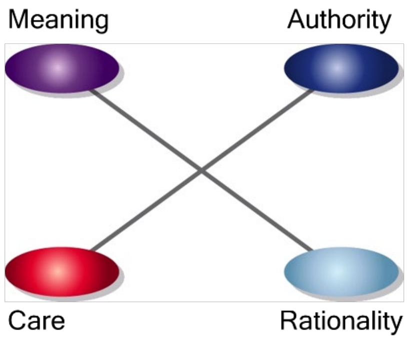

Figure 6 The MARC model

If we look back at the management control families in Figure 4, we can note that traditional management control tends to handle the right-hand side of the MARC model: Activity-Based Costing, Cost allocation (rather than allotment), breakdown into leading, coincident and lagging indicators, etc, speak to our logic, while budgetary discipline, focus on the selected key indicators (above others) and so on, should ensure that we act in a coordinated way, even when our personal, rational analysis would have led us in a different direction. (But if the prescribed key indicators systematically point in what we perceive as the wrong direction, we should at least be able to initiate a discussion about their appropriateness.) Process orientation is based on a strong position for prescribed routines (Authority), but they are presumed to be appropriately designed, and for example, process improvement subprocesses are meant for conducting discussions on possible improvements to the decided and mandated processes (Rationality). The stakeholder perspective can also be said to focus the right-hand side of MARC to a certain extent, with a clear presentation of what the various stakeholders find important, and with negotiated agreements on trade-offs between interests. But the perspective also includes some of the left-hand side of the MARC model – Care, to note that there may be other stakeholders than the owners or the principals, and to take them seriously. CSR, taken seriously, emphasizes that it is too myopic to claim that "the business of business is business"; even a profit-making organisation should be conducted in a socially responsible manner. (This does not preclude that CSR perspectives are sometimes handled mostly for show, or are motivated by concerns that too antisocial conduct can lead to retaliation by clients, legislators or other potentially influential parties.)

Quality focus or Lean (and some other tracks) can sometimes take on a character of almost religious conviction, mysticism rather than rationality (and possibly akin to a strong sense of Meaning). The absolute conviction that zero-failure (or waste elimination) is the way to success provides the strength to persevere in the management control efforts. The other factors in the MARC model become secondary. In Figure 4's left-hand family, Management-by-values, the emphasis is strongly on the MARC model's left, and above all on Meaning. If we agree on the higher values we strive to achieve and maintain, our inner compasses will be the main instruments for achieving direction and consonant action, relying to a large extent on our intuition and common sense, rather than on tools from the MARC model's right. At the same time, it may be important to build close relations in the narrow circle – the calibration discussions with direct colleagues, the scrum meetings where we stand in a circle together with our project group – so even Care is subject to tool development.

Based on the above reasoning about swings of the pendulum, thesis and antithesis, the problems of the current control model will, if they feel sufficiently troublesome, lead us to seek solutions far away, in the antithesis to the present, or the other end point of the pendulum. We can then see the MARC model's concepts as clues to where development is likely to occur. If today's models are right-side heavy (Rationality and Authority), it is likely that old or new ideas and tools from the left side (Care and Meaning) will make their entrance, and vice versa. To hold together large organisations, the upper half is often emphasized (Meaning and Authority), which, if it goes too far, can be expected to produce a backlash within the lower half's relationship focus and strive for rationality (Care and Rationality). And as the smaller company grows, group cohesion and ad-hoc solutions can increasingly need to be complemented by designed construction of Meaning (vision, mission, explicit core-value determination), decision-making systems and regulations (Authority).

We propose that long-term sustainable governance needs to meet all four types of needs, as in Figure 7 (where the box is a radar chart, indicating that all four types are well catered for), but the question is whether this is an attainable ideal. (It should be noted, that the balance in MARC terms is not about there being much of everything, but that what is applied is appropriate in the organisation in question.) A quick glance at the management control families in Figure 4, indicates that such balanced governance packages are uncommon. Possibly, they can be constructed by picking from different families, but the risk is that there will be clashes on the overall conceptual level – the overarching Meanings underlying the various control package parts become irreconcilable. Whether that really is the case, we will leave aside for now. It should be the subject of a separate study. Instead, we turn to current examples. Is there one dominant way to sustainable success?

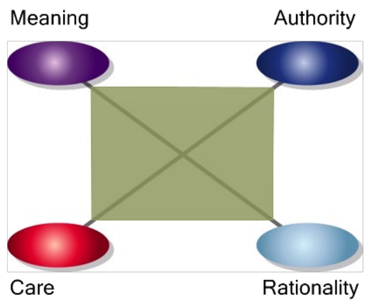

Figure 7 Balanced management control

Different examples of successful management control

What are the management control practices of currently successful companies? A rapidly growing and highly valued company that has featured in the public debate is Amazon. According to descriptions, the regime is extreme in its management by numbers, where everyone's performance is monitored with detailed metrics (Selby, 2017), and where the numbers are complemented with an informer system where you can report colleagues who do not seem to contribute sufficiently (Kantor & Streitfeld, 2015). Among the stories circulating is how, instead of ensuring that there is air conditioning in the warehouse in the high summer heat, management ensures that there are ambulances standby that can quickly take care of those who suffer heat stroke. At the same time, there is no shortage of candidates who want to expose themselves to this employer's control system. Those who stomach it and succeed, seem to regard themselves as a superior race, Amazonians. They are driven by a desire to work with other highly ambitious people in developing even more efficient systems to market, sell and deliver all possible products and services. It is possible to find adult people lyrically testifying to how they were able to deliver Disney dolls to expectant little girls faster than anyone else. Strength, durability, endurance and dedication, these are esteemed traits, and having worked for some time at Amazon can be seen as a sign that one is both ambitious and stress-resistant. But there is no talk of fellowship, concern for colleagues or other joy than that which is to be found in successful deliveries and in achieving the targets. At the same time, there seems to be a disdain for weakness. The informer system, unwillingness to pay consideration to those who become ill or suffer personal losses, testimony of an extremely instrumental view of co-workers, all make the image of Amazon painted in the public debate (Cadwalladr (2013); Kantor & Streitfeld (2015); Selby (2017)) the epitome of the "combustion organisation" that a good MARC balance should protect against (Brytting et al., 2004, Westelius et al., 2013). The combustion organisation produces results – by combusting the people who work in it. If we are to believe the testimony in articles such as Kantor & Streitfeld (2015), the management control is even more skewed than in Figure 8, but obviously it is sustainable, as long as it continues to deliver results (and as long as the company can recruit fresh candidates, and does not have to take care of those used up in or damaged by the process). Expectations continue to be high; Amazon is today the world's second highest-valued company (market value 888 bn USD on 2019-06-08), with a P/E ratio of 75 (down from the even more fanciful 270! of last summer).

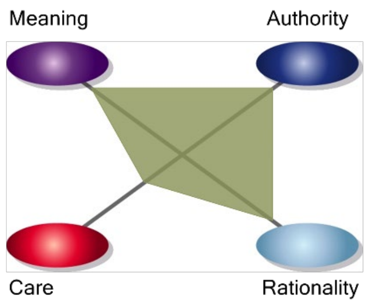

Figure 8 Amazon's management control?

Google has, reportedly (e.g., Manimala & Wasdani, 2013), a completely different control model. With seemingly minimal numerical control, encouraging own initiatives and little process control, the emphasis is rather on the MARC model's left. Management by values, with the objective "to organize the world's information and make it universally accessible and useful", which emphasises the benefit to the surrounding community rather than the company's profit (although the model so far seems very profitable),"Don't be evil ", to mark that it is not about "don't leave money on the table" or to chase short-term success, makes it attractive and socially acceptable to work for the company. The freedom to develop your own ideas to a large extent, and to get support for them if you can demonstrate their potential; empowerment rather than micro management; fairness in evaluation (to be evaluated by people whose judgement you esteem); emphasis on joy, comfort and companionship; caring for employees' professional development, life balance and health: all contribute to the image of a company where societal benefits, humanity, joy and work satisfaction are at the forefront (Meaning and Care of the MARC model).

Provided that recruitment works, that the cherished values really match the tasks, that the focus on individuals, the community, job satisfaction and comfort works, there is little need for guiding rules or decision-making arrangements to maintain momentum, or advanced analysis to make sure people are doing their job. So, according to this reasoning, the emphasis of the left side of MARC here does not mean that Authority and Rationality are undersized in the management control. But then it should also be mentioned that Google (or more formally, the Alphabet Group) is a very profitable organisation – and valuable. Their market valuation of 740 bn USD today (2019-06-08) is based on a high, but not completely fanciful, P/E of 26. In such an organisation, which is also perceived as a good employer and a merit to have worked for, it may be possible to get motivated people to perform good – and profitable – work without hard control or unnecessary stress. We are not claiming that any company that tries to govern like Google would be successful. Nor is it certain that stories about the company provide a complete and credible picture. The Alphabet group with Google now has close to 100,000 employees and it is hard to believe that everyone can have inspiring work and have a great outlet for their creativity. Most likely, there is a substantial amount of goal management and traditional control tools also within this company.

Yet a high-profile company, Tesla, with a market valuation of USD 35 billion (not reporting a profit for 2018, but with a quarterly profit for Q3 and Q4 that would put the P/E close to 35), also stands out as a value-driven company. Musk's vision to change the world by gathering highly skilled people who want to develop and manufacture ground-breaking products preserving the environment – so far mainly electric cars – are also based on motivated and collaborating employees, rather than on rules, routines, standards and hard key-indicator control. Of course, you need to keep deadlines and be cost-effective, because the vision can only be reached if the products are gaining wide dispersion, but target-cost management in design and motivated employees who are result-oriented and cost-conscious will be more important than hard cost-tracking. In the current race to increase car production while keeping costs reasonable, there has been an increased cost and productivity focus, but to a large extent communicated as a desirable work ethos rather than classical agent-theory-based management control. Here, too, it is unclear whether the control model can survive as other manufacturers see how Musk's product visions are adopted by the market, and seriously enter the segment. Right-side control tools may become more important within Tesla than they are at present.

The impressionist picture these examples paint, shows how different control models can be seemingly sustainable in different – but new and successful – activities at the same time. The examples also suggest that there are no persistent ideal configurations. Each set of control concepts and tools has its strengths – and its weaknesses which will sooner or later require the use of other management control efforts.

A final glance in the crystal ball

Above, we have noted that the environmental issue will continue to demand attention and probably also give rise to continued control-tool development. Digitisation is another ongoing process, which changes the prerequisites for both operating and controlling; more and more data can be collected, analysed, visualised and disseminated, and increasingly realistic communication can be carried out without geographical relocation. Furthermore, we have noted that gender, ethnicity and various political considerations could be expected to figure more prominently in the management control flora of tomorrow. Equality, or at least constructive coexistence over possible dividing lines, is a growing challenge, not least in an increasingly international – and migrant – world. It is possible that today's control tools can be adapted to deal with such challenges, but it may also require redevelopment (or at least rebranding). Political considerations can be prompted by similarities and differences, but they can also be about drifts in prevalent ideals. Governance in the public sector is clearly influenced by the prevailing political winds, but the business sector is not unaffected either. It is no coincidence that decentralised governance began to gain ever greater focus after 1968, or that economic growth, growing financial assets and the spread of shareholding have been accompanied by more conservative or market-liberal sentiments and rhetoric and a stronger establishment of shareholder-value-focused governance.

On the world stage, we also see how country after country is affected by polarised contradictions between two groups, where one (often the minority) has been deemed too favoured and the other (the majority) takes over repressively and violently – in Nigeria, Rwanda, Somalia, Iraq, Sri Lanka... Even harder it becomes when there are not only two sides, as in Syria. Our management control flora is developed to handle collaboration in reasonably peaceful forms and with moderate conflicts. How are we poised if the stakeholder divisions really become serious and go beyond what we have traditionally managed to deal with in terms of reasoning?

When pronounced poverty combined with widespread corruption encounters destabilising changes – drought, military interventions, plagues – chaos erupts that eventually causes people to even prefer tyranny, if only it provides some form of stability. Can such developments also affect the management control portfolio and the use of control tools? Will it increase the use of stakeholders perspective concepts and tools?

And more close to home: at the beginning of the 1980s, Sven-Erik Sjöstrand, professor of organisational theory, used to say that you should build organisations so that they can sustain having Donald Duck at the top – for one day you stand there with Donald Duck at the top. Now, we have a political and social development in the direction of the post-truth society, where demagogy can give political power on the basis of sentiment rather than reasoning and factual basis. (It is not the first time in world history, but it seems to happen now again – at least viewed from a value-base that saw our Western society ten years ago as a good and successful one, with increasing globalisation, detente, free trade and free labour mobility.) What will our management control tools need to be to work in a post-truth climate, where experience and factual basis are no longer watchwords? Can the process view and quality focus survive in a post-truth setting? Will economism prove to be effective by speaking to selfish traits? Is management-by-values possible in larger organisations in a more polarised society if that polarisation is also present inside organisations?

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