Enabling and Coercive Control: Coexistence in the Case of Banking
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Abstract


This thesis focuses on subjects of control and attitudinal outcomes of formalized control in organizations. Previous research have concluded contradicting results of whether formalized control is positive or negative for the employees and propose that not only degree of formalization, but also type of formalization, can explain attitudinal outcomes.

With the theoretical perspective of Adler and Borys’ concepts of enabling and coercive types of control, this thesis explore the concepts and practices of enabling and coercive control, and their relationships with attitudinal outcomes. This is done with a focus on the banking industry, which serve as a case of an extensively regulated context. An assumption put forth in this thesis is that the context in which individuals are part must be considered in the study of attitudinal outcomes of control.

The analysis show that both enabling and coercive control can be found in banking, for example in business plans and regulations. However, the picture emerging is more complex than enabling control leading to positive attitudes, and coercive control leading to negative attitudes. Also, coexistence of enabling and coercive control is responded to with decoupling and acquiescence, and by drawing on global transparency.

Based on these findings, together with theoretical elaborations, this thesis contribute to the literature of enabling and coercive control in a number of ways. First, it make explicit central concepts and relationships within the theory, such as design vs. perception, the role of zone of indifference as an outcome of control, and enabling and coercive control as dual roles or qualities of control. Moreover, this thesis suggests that multiple-level explanations to attitudinal outcomes of control, where contextual and institutional structures are considered, helps us understand attitudes to control in this context. Lastly, this thesis contribute to the notion of coexistence of enabling and coercive control by showing that coexistence can be simultaneous systems, and simultaneous cognitions, where a control can be perceived as both enabling and coercive at the same time.

Keywords: Enabling control, coercive control, coexistence of control, attitudinal outcomes of control, management control, regulation, banking.

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CHAPTER 1

1 Introduction

This thesis is about management control systems and how control design in the form of formal control can give positive attitudinal outcomes for the subjects of the control. In this first chapter, I will outline the cornerstones that this thesis rests upon.

In a time of post-bureaucracy, with ideas of employee freedom, organic organization and flexibility (Maravelias, 2003), questions about the role and effect of formal management control become increasingly relevant. Although modern concepts indicate a move from extensive, formalized, mechanistic bureaucracies towards more organic, fluid, innovative organizations, remarkably many organizations are still organized around formal control systems, routines, procedures and administration. This more or less holds true for many different businesses, from manufactory companies (Gerdin, 2005) to service providers (Auzair & Langfield-Smith, 2005), and knowledge intensive firms (Kärreman & Alvesson, 2004).

The use of formalization and formal control in modern organizations becomes interesting in the time of post-bureaucracy. Not least how to design controls that are also empowering for the employees is an interesting question, as formal control by tradition serves the purpose of top management’s interest and constrain employees’ action. Traditional control is dominated by the cybernetic idea of formal rules, routines, and standardized operations, all with a focus on increasing organizational efficiency (Ahrens & Chapman, 2004). Hence, the outcome for the individual employee, for example attitudes to the control, have previously been secondary.

Attitudinal outcomes of control relate to employees’ job satisfaction, role conflict, etc. (Adler & Borys, 1996), but also employee behavior, job performance, and other relevant work-related outcomes (Burney, Henle, & Widener, 2009). It is, therefore, desirable that employees feel that the control system encourage them and enable them to master their work tasks rather than only being constraining and decreasing their skills and competences. So, how can formalized management control (i.e. formalization) lead to such positive, or negative, employee attitudes?

In a seminal article from 1996, Adler and Borys try to answer such questions more generally by arguing that there are two types of formalization; the coercive type and the enabiling type. The core in their theory is that differences in the design and use of formalization will lead to different attitu-
dinal outcomes. In their view, formalization can either be designed in a de-
skilling approach or a usability approach; either merely aiming at expecting
the employees to follow the rules, or aiming to help them form mental mod-
els in order to better master their work if systems break down or mistakes
are made (Adler & Borys, 1996). These ideas are, however, not limited to
formalization and bureaucracy at the higher organization structure design
level. Several scholars following Adler and Borys (1996) have successfully
contributed to the management control and accounting literature on the
topic of how formal management control and accounting can enable or co-
erce employees (e.g. Ahrens & Chapman, 2004; Englund & Gerdin, 2014;

Features explaining whether management control is enabling or coercive
is, on the one hand, the degree of flexibility and reparability of the control
system and, on the other, the internal and global transparency of the system,
as perceived by its users. So, if a formal control system is flexible and repa-
rable (enough) and is transparent, Adler and Borys (1996) predict that such
a system would not produce negative attitudinal outcomes from those who
are subjects of control. More specifically, if users of the system find infor-
mation that makes them better understand their role, their operations and
firm strategies, and enable some discretion, it will actually help them in
mastering their work tasks. On the other hand, if there is little flexibility
and reparability and the system is non-transparent, users will feel deskilled
and constrained. This, Adler and Borys (1996) argue, is the reason why we
can observe both negative and positive attitudinal outcomes of formaliza-
tion in the organization literature (e.g. see Arches, 1991; Snizek & Bullard,
1983).

Although Adler and Borys (1996) suggests two types of formalization,
subsequent research has shown that such types of control can exist simulta-
neously (Ahrens & Chapman, 2004). The problem with studying one or a
few management control tools or systems within an organization’s overall
control system is that, while a single tool might be interpreted as enabling
when studied in a certain part of the control process, there is nothing pre-
venting it from being coercive in other parts of the process. As an illustra-
tion, Ahrens and Chapman (2004) studied a restaurant chain and its dif-
ferent management control practices. They found that, for example, a sales
target blackboard was enabling, because it provided the staff with transpar-
ency regarding their own performance and enabled them in making repair
efforts. Although this may be the case, other parts of the control practices
are in the shadows; we do not know whether the evaluation and discussion of the staff performances is also in line with an enabling approach.

The point here is that management control systems (often) consist of multiple systems and practices which can be designed, developed and used with different approaches. When choosing to study certain management control practices, there is a risk of overlooking the possible coexistence of not only different management control subsystems interfacing in a larger system, but also the possibility that enabling and coercive approaches coexist. In many organizations, the wider control system imposed on and used by a single employee may well consist of elements having both enabling and coercive features; i.e. there is a coexistence of enabling and coercive types of control. Such coexistence and how it affects attitudes towards single control mechanisms has been of minor interest in previous research and is not clear in previous literature. Possibly, coexistence of enabling and coercive control leads to also coexisting attitudes or even conflicts for the employees.

A substantial part of previous research on enabling and coercive control has instead taken an interest in investigating how management controls such as performance measurements systems, results controls, and management by objectives, can be enabling or coercive. In Chapter Two, this is elaborated in more detail, but a few examples where the management control studied is of this kind are Free (2007), Wouters and Wilderom (2008), and Jordan and Messner (2012). That performance measurements systems are designed with features of enabling control and are perceived as positive for the employees is not really that surprising, I would argue. Rather, it is in the very basic idea of results control that there is flexibility for the employees in how to reach their targets. Instead, what the theory of enabling and coercive control originates from is a typology of workflow formalization: formalized routines, processes, and operational control. Thus, it is from that perspective that the concepts of enabling and coercive control are developed, and therefore I argue that it ought to be fruitful to study enabling and coercive control in settings with substantial workflow formalization.

This is because, explaining attitudinal outcomes of formalized control design provides a starting point for designing control that supports not only organizational interests, but also the employees to perform their best and be satisfied with their work situation. Understanding outcomes of design of control, which I argue is fundamental in a management control system, is necessary if we want control systems that make the best out of our organizations, both in terms of financial results, performance results, and personnel capabilities.
A context where workflow formalization exists is the banking industry. However, banks are also characterized by great complexity. The services and products a bank offers are often complex and contain both specialized and more standardized aspects. The core practices of banks – dealing with corporates’ and private people’s wealth and money – also puts heavy demands on the intra-organizational control systems. Hence, banks do not only have workflow formalization, but must also control and support the complexity of the work.

Moreover, organizations such as banks have for a long time been regulated and strictly monitored (Stockenstrand, 2017b). This means that banks contain control with substantial administration and work routines. The possibility for deception or wrongdoing in the work must be minimized in order to sustain trust among customers. On top of this, governments have an interest in regulating the banking industry, for protecting citizens but also for controlling and influencing micro- and macroeconomic behavior (e.g. the banking market, housing market, consumer behavior, etc.) (Petersson, 2009).

In such complex contexts as banking, the interaction between control system and employee, and the outcome of such interaction, is interesting as it captures the complexity that employees may face in their daily work. Banking constitute a case of coexisting control and regulation that may very well provide insights in how control can be positive, enabling, or negative, coercive, for organizational members.

Further, a common feature in the industries where enabling control has previously been investigated is that they are all industries where organizations to a great extent can choose how to design their control systems, e.g. what and how to measure, and which routines to have, that is, the organizations are free to choose enabling control (or coercive control for that matter). In other words, in the contexts previously investigated there are high degree of managerial discretion in terms of management control approaches.

For the banking industry the situation is quite different. As noted, different actors have an interest in keeping the banking industry and the banks controlled and regulated. This is both by demands on internal management control systems and on regulation compliance. Drawing this picture, it would seem that managerial discretion is limited and that coercive control is the main approach. However, the fact that banks are service firms complicates this picture. As a service provider, much of the value is created together with the customer and there are requests for customization in order
to meet customers’ needs. Customers would expect a certain flexibility in the handling of their specific situation. They might even expect that there would be room for negotiation about, for example, loan terms or interest rates. For this reason, flexibility in the work is central in finding solutions and ways to increase service quality and meet customers’ expectations. Thus, banks cannot rely on coercive control alone, but need to have systems that impose flexibility as well (cf. Ahrens & Chapman, 2004).

This thesis also implies the need for taking the community, sector or industry level into account (cf. Messner, 2016 on the need for management control research to focus on industry characteristics); a level of analysis that is not part of either Adler and Borys’ (1996) original theory, or the empirical applications of the theory in the management control literature. For example, in public sector agencies, the nuclear industry, financial firms, etc., parts of the operational work can likely not be flexible: there is no room for creativity or empowerment; the nature of the work makes it necessary to adopt a coercive approach because there are laws and regulations to follow, or any deviation from prescribed routine could even mean endangering life. Thus, the context in which formalized control is imposed should be considered when studying how control can be positive (as in empowering and mastering own tasks) or negative (as in constraining and deskilling) for employees.

1.1 Purpose, aim, and outline of the thesis

In this thesis, I take an interest in explaining the attitudinal outcomes of formal control with a theoretical departure in enabling and coercive formalization. Therefore, the broader purpose of this thesis is to contribute to knowledge on how formal control relates to attitudinal outcomes. The thesis contributes to this by highlighting design features of significance for positive and negative attitudes, and by showing how contextual conditions are part of employees’ perception of control. More specifically, the purpose is to contribute to the emergent and growing framework on enabling and coercive control, and specifically to the work of Adler and Borys (1996), by addressing a context which has not gained much attention in previous literature.

The banking industry with extensive regulation and formalization constitutes a context where one can assume coexistence of controls; both result controls and action controls, and that formalization of the work is substantial. Furthermore, in a setting where formal control to a large extent is externally imposed on organizations, it becomes interesting to explore how
organizations design additional control structures to mitigate potential rigidities and to navigate for flexibility. Therefore, the aim of the thesis is to:

*Explore the concepts and practices of enabling and coercive control, and their relationships with attitudinal outcomes, within a regulated (bank) context.*

This aim implies that the theoretical, as well as the empirical, meaning of enabling and coercive control is scrutinized with the banking context as a case of organizations that contain both what can be compared with workflow formalization (standardized and formalized procedures, routines, and decisions) and other management control systems.

The outline of the thesis is as follows. In the chapter following (Chapter Two) this aim that builds on a problematization of the contexts in which enabling control is often discussed and studied is taken as a starting point and further developed into two research questions (see Alvesson & Sandberg, 2011 on how to generate research questions) more thoroughly grounded in and positioned towards the novel but growing literature on enabling control. The chapter consists of a literature review of the state of the art of enabling and coercive control framework and ends with two research questions that serve to fulfill the aim and in turn the purpose of contributing to knowledge about how formal control, as depicted in the enabling and coercive formalization framework, is related to attitudinal outcomes.

In Chapter Three, the theory and framework of enabling and coercive formalization and control is outlined in detail. The background of the theory is described in some detail, referring to its origin in equipment technology and classic organization theory. Central concepts are outlined, such as features of enabling control, coexistence and zone of indifference. Lastly, some of the important dimensions of this thesis are discussed. For example, the interrelation among features, enabling and coercive control as quality implications or as dual roles, and perception vs. design. All this is in order to set the theoretical stage from which the empirical study is conducted.

Chapter Four contains an account of the research design and the methodological considerations that had to be considered in conducting this study. The departure in theory is discussed in terms of implications for the perspective of the empirical study. ‘Practical’ method strategies are presented, in terms of choosing case, collecting data, and analysis method.
Some research concepts such as generalization, validation, etc. are discussed in relation to the study.

Chapter Five is a contextual description of the banking industry. This chapter aims at giving the reader a picture of the regulative and contextual setting in which Swedish banks are acting. This in order to give a background against which the analysis that follows should be viewed. The chapter contains both a general description of the banking industry and its important actors, and a description of the case company Alfa Bank in terms of history, organization, and most importantly, its management control.

In Chapter Six the first analysis is presented, regarding the enabling and coercive control at Alfa Bank. Alfa Bank’s controls are analyzed from the concepts of enabling and coercive control, with a specific focus on the features, and lack of features, of enabling control. This analysis is built on the perspective of the management control package (Malmi & Brown, 2008) as a way of identifying controls at Alfa Bank.

A second analysis is presented in Chapter Seven. Here, the second research question is addressed by analyzing coexistence of enabling and coercive control in banking. The chapter starts by describing coexisting control in banking from three meanings of coexistence, and ends with addressing the question of how employees handle such coexistence of enabling and coercive control. For this analysis, the case of Alfa Bank is complemented with data from another bank in Sweden.

In Chapter Eight, the last chapter, key findings of this study are presented and contributions is proposed. Theoretical implications are accounted for and the thesis ends with suggestions for future research.
CHAPTER 2

2 Literature review and research questions

I have in the previous chapter argued that banking is an interesting context for studying enabling and coercive control. In this chapter, I will scrutinize the framework on enabling and coercive control and pose three arguments for why the banking context supports potential contributions to the development of the theory.

First, the banking industry has a long history of regulation by governments who have an interest in controlling the market and practice of the financial sector. Banks have, thus, limited discretion in choosing enabling control.

Second, as will be shown in this chapter, a dominant focus in previous literature has been on management controls such as performance measurements and results control. This is, I argue, not the single most rewarding example when studying enabling and coercive control. Rather, it is in the nature of such control that, although the performance measurement system may be highly formalized, there is normally considerable flexibility and discretion built into such a system. The idea of results control is that an objective is formulated and there is minor control of how to achieve the objectives.

Lastly, the above arguments together provide the third argument for why banking is a potentially fruitful context for studying enabling and coercive control. As banks are both subject to extensive regulation and are service providers, the controls are potentially contradictory, in that they are to foster both control and efficiency and flexibility. Due to this regulatory context and need for flexibility in the work, the control in banks is likely to include both enabling and coercive control design, i.e. the two coexist.

In this chapter, the current literature on enabling and coercive control is outlined in order to provide a picture of current research and potential research areas where this thesis contribute. From this review, two more specific research questions are presented, which, when answered, contribute to fulfill the aim of this thesis, presented in Chapter One. First, some background is provided to the theory of enabling and coercive control. Second, the literature is reviewed from three areas of interest; research setting, research focus, and coexistence. The chapter ends with a presentation of the two research questions.
2.1 Background: Understanding the attitudinal outcome of control

Control of organizations could mean anything from type of ownership and governance structure to planning and culture control (Malmi & Brown, 2008). Management control systems are often associated with means of achieving organizational strategies and goals, which emphasize the use of control to serve the organization’s (as if it was a subject with objectives and interests in itself) or top management’s interests and needs. When a behavioral view is applied, management control systems are seen as a means to deal with employees; either to prevent them from doing things that are not in line with what “the organization” wants (Merchant & Van der Stede, 2007), or “to increase the probability that organizational actors will behave in ways consistent with the [organizational] objectives...” (Abernethy & Chua, 1996, p. 573). Other perspectives of management control follow the same logic (e.g. Flamholtz, Das, & Tsui, 1985); the purpose of having management control systems is to ensure that organizational goals and objectives formulated by higher level of management are achieved.

However, a not insignificant part of a management control system is the actors being subjects of control. If one purpose of a management control system is to direct behavior towards goal completion, in the end there are people whose behavior are to be directed. But, of course, people are not robots who work indifferently in organizations, but humans with perception; thinking, feeling, who make sense of the world around them as they meet people, objects and systems. Hence, in order to understand different outcomes of management control systems, we need to understand not only how the control systems work from a top-down perspective, but also how this control is perceived by the employees whose performance is being measured and whose actions are being influenced. For example, dysfunctional behavior on the part of employees as an outcome of control has been addressed from a subordinate perspective, with a certain focus on dysfunctional behavior as an outcome of role conflict and job tension (Jaworski & Young, 1992). We know less, however, about management control as regards the question of how the control system may be positive and facilitating, or negative and constraining for the employees’ work.

One answer to this question is increasingly suggested by management control researchers by reference to the notion of bureaucracy and formalization as being positive or negative for employees. Formalization has been
viewed as negative for employees as an outcome of the bureaucratic organization’s restriction of autonomy, power asymmetry, and the dehumanized machine metaphor linked to bureaucracy (Adler & Borys, 1996). Furthermore, negative effects of formalization on employees have been recorded in several instances. For example, in Arches (1991), bureaucracy, formalization and control are found to have negative results on job satisfaction among social workers. Further, Bonjean & Grimes (1970) found in their study that bureaucracy and alienation were positively related among workers.

On the contrary, formalization has also been found to be positive for employees, for example, formalization as a way of gathering collective effort and making work processes more efficient by the restriction of autonomy. One idea is that, if employees share the goals of the organization, formalization will be seen as a contribution in goal completion and they therefore welcome it (Adler & Borys, 1996). The facilitating nature of formalization on task performance is important for the positive assessments of formalization. More specifically, formalization has been shown to be negatively associated with role stress, role ambiguity, role conflict, and feelings of estrangement (Michaels, Cron, Dubinsky, & Joachimsthaler, 1988; Podsakoff, Williams, & Todor, 1986). Also, other positive feelings are argued to relate to formalization, such as job satisfaction and commitment (Snizek & Bullard, 1983). Altogether, research results suggest that there seem to be both positive and negative attitudinal outcomes of formalization. However, this does not really help us understand why formalization sometimes seems to cause positive and sometimes negative outcomes and how to explain this seemingly double-edged outcome of formalization.

Previously, one way of explaining attitudinal outcomes of formalization has been in the degree to which work is formalized and controlled (Adler & Borys, 1996). As shown above, research on the degree of formalization and attitudinal outcomes has, however, not been able to show a united picture of whether a high (or low) degree of formalization leads to positive or negative outcomes. Inconsistency in this stream of research implies that other explanations might be possible (Adler & Borys, 1996), such as moderating or mediating factors, employee individual characteristics, etc.

However, Adler and Borys (1996) propose another explanation. Because of the seemingly inconsistent results of the relation between formalization and job satisfaction, role alienation, etc., Adler and Borys (1996) suggest that the type of formalization rather than only degree of formalization could
increase our understanding of attitudinal outcomes. Thus, our understanding of attitudinal outcomes of formalization could be viewed as two-dimensional with degree of formalization on one side and type of formalization, in the form of a continuum, on the other (Adler & Borys, 1996). In a seminal paper, Adler and Borys (1996) develop a theory which tries to explain attitudinal outcomes of formalization by arguing that a system which is designed, used and/or developed as an enabling type will foster positive attitudes to the system on the part of the employees.

The enabling type of formalization stands for a rationale where the employees are a source of knowledge, experience and skill which the organization benefits from supporting. On the contrary, a system designed as a coercive type will in turn lead to negative attitudinal outcomes, as the coercive type stands for a rationale where the employees are “a source of problem to be eliminated” (Adler & Borys, 1996, p. 68) and formalization is a tool for preventing problems by ensuring that their actions are in line with the organization’s goals.

Altogether, how people perceive a management control system will have consequences for their attitudes and how they act (Burney et al., 2009; Tessier & Otley, 2012). The theory of enabling and coercive formalization (Adler and Borys, 1996) aims to explain how perceptions and attitudes towards control are shaped by looking at the design aspect of control (Ahrens & Chapman, 2004). Following Adler and Borys (1996), a line of scholars in management control have shown this theory to be useful in understanding not only formalization but management control as facilitating or constraining.

2.2 Enabling and coercive control in the management control literature

While Adler and Borys (1996) depart from the issue of workflow formalization and attitudinal outcomes of formalization, Ahrens and Chapman (2004) introduced the theory to the management control and accounting literature, in which the theory has received considerable attention. The concepts and framework of enabling and coercive control have in recent time increasingly been used in the study of management control systems and management accounting. Increasing numbers of scientific publications, academic conference tracks, and special issues (QRAM, forthcoming) on the topic point toward the increased interest in the framework.
However, despite the growing line of studies in the management control and accounting literature using this theory, little theoretical and/or conceptual elaborations can be found. Conceptually, little has been developed since Adler and Borys’ (1996) introduction of the concepts. To date, the theory has more or less mainly been used for categorizing empirical observations and for descriptive purposes. Note, this criticism of previous research is directed at the theory of enabling and coercive control per se, that concepts such as enabling, coercive, attitudinal outcomes, and coexistence, are still theoretically in their infancy. Also, it is important to note that, at an empirical level of what it means to be enabled by control as an empirical concept, there have been important contributions. These have been made with the help of other theoretical perspectives, such as sense-making (Jordan & Messner, 2012), or LOC (Mundy, 2010). However, rather little effort has been devoted to problematizing and developing the concepts of enabling control building on Adler and Borys’ (1996) theory.

Table 1 presents a line-up of work/papers on enabling and coercive formalization/control. Of course, the concepts have now become widespread and some selection in this minor review has been made from the criteria that the framework has a substantial part of/contribution to the paper (i.e. papers have been excluded where the words are used but do not refer to Adler and Borys’ (1996) conceptualization) and have been published in journals in the area of management control and accounting.

In the line-up, I have included research setting and scope of control. Research setting is relevant because, as the original theory by Adler and Borys (1996) is rather general in its description, the settings in which the framework are then used is important for the continuing development of the theory. Furthermore, as will be shown, equally important are the settings which have not been researched in terms of enabling and coercive control. Scope of control, which will be discussed later in this chapter, is the choice of control element(s) that a study refers to, which can be one specific control element or a broad interest in a certain use of the organizations control system. Another aspect of previous research on enabling and coercive control that is highlighted in this chapter is the different interests in design, development process and the use that can be found in the literature. Lastly, the relation between research on enabling control and coercive control, and coexistence of enabling and coercive control is discussed.
2.2.1 Research settings
The settings and contexts represented in the literature are, for example, manufacturing companies (8), new product development divisions (2), public hospitals (2), a restaurant chain (1), a law firm (1), acquisition between a telecommunication company (produce tests and measurement equipment) and a company mainly into R&D (1), and a supply/retail company (1) (see Table 1). Some survey-based papers span over many different companies and industries (Chapman & Kihn, 2009; Mahama & Cheng, 2012), such as food products, energy, education, constructing, media, etc. For some of the papers (no fewer than four of them), the case from a manufacturing company is the same. One can conclude that the span of settings is predominantly in manufactory companies, as also noted in management control literature in general (Gooneratne & Hoque, 2013).

Table 1. Enabling and coercive control literature

<table>
<thead>
<tr>
<th>Author (year)</th>
<th>Title (journal)</th>
<th>Setting</th>
<th>Scope of control (empirical focus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adler &amp; Borys (1996)</td>
<td>Two Types of Bureaucracy: Enabling and Coercive (Administrative Science Quarterly)</td>
<td>N/A</td>
<td>Formalization</td>
</tr>
<tr>
<td>Author (year)</td>
<td>Title (journal)</td>
<td>Setting</td>
<td>Scope of control (empirical focus)</td>
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<tr>
<td>Chapman &amp; Kihn (2009)</td>
<td>Information system integration, enabling control and performance (Accounting, Organizations and Society)</td>
<td>Large companies; electronics, food products, chemistry and plastics, metal, forest, multiple businesses, construction materials, textile, energy, furniture. (survey)</td>
<td>Budgeting process</td>
</tr>
<tr>
<td>Wouters (2009)</td>
<td>A developmental approach to performance measures—Results from a longitudinal case study (European Management Journal)</td>
<td>Logistics department in a beer brewing company</td>
<td>Performance measurement systems</td>
</tr>
<tr>
<td>Author (year)</td>
<td>Title (journal)</td>
<td>Setting</td>
<td>Scope of control (empirical focus)</td>
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<tr>
<td>-----------------------</td>
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<tr>
<td>Mundy (2010)</td>
<td>Creating dynamic tensions through a balanced use of management control systems (Accounting, Organizations and Society)</td>
<td>Multinational financial service organization</td>
<td>LOC</td>
</tr>
<tr>
<td>Adler &amp; Chen (2011)</td>
<td>Combining creativity and control: Understanding individual motivation in large-scale collaborative creativity (Accounting, Organizations and Society)</td>
<td>N/A</td>
<td>Boundary, diagnostic control systems</td>
</tr>
<tr>
<td>Author (year)</td>
<td>Title (journal)</td>
<td>Setting</td>
<td>Scope of control (empirical focus)</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Liew (2012)</td>
<td>Can Enabling and Coercive Controls Co-Exist in Management Control Systems? (working paper, permission granted by author)</td>
<td>New product development division in food industry</td>
<td>Management control system, information technology</td>
</tr>
<tr>
<td>Kondo, Nishii &amp; Aihara (2013)</td>
<td>Management Control Systems as Enabling Use in Professional Bureaucracy: Evidence from Management Reform of a Public Hospital (Available at SSRN 2371679)</td>
<td>Public hospital in Japan</td>
<td>Key performance indicators (ratio of revenues and expenditures, payment ratio of the staff in general, utilization ration of beds), budget system, performance measurement system</td>
</tr>
</tbody>
</table>
Studies on management control in general in banks are by no means absent (e.g. Athanassopoulos, 1997; Berry, Loughton, & Otley, 1991; Elliot, 2015; Hussain, 2005; and see Gooneratne & Hoque, 2013, for a review). It has been argued for the need to study management control within its specific industry characteristics (e.g. Gooneratne & Hoque, 2013; Messner, 2016), and in the banking industry a significant part of the industry characteristics is the extensive regulation and encroachments by agencies and governments. Internal and extensive external control (regulations) would suggest that banks are formalized throughout and quite mechanistic in their operations. However, increased competition, globalization, and digitalization have brought banks into decentralized organizational structures, innovative products and advanced technologies (Gooneratne & Hoque, 2013).

Moreover, the fact that rules (cf. action controls) are not entirely perceived as negative has been found in a study on management control in a bank (Cäker & Siverbo, 2014). Nevertheless, applying the framework of enabling and coercive control in this setting will potentially help us understand how formal control can be perceived as positive and facilitating in banks, and how employees facing such different demands for control respond to it.
At the same time, the banking industry serves as a complement to previous research not only because it adds another setting and industry to the literature on enabling and coercive control, but also because it adds some industry characteristics to the literature which have not been recognized; financial services and extensive regulation. Managerial discretion and the possibility to choose an enabling or coercive approach as well as minor regulation is a common state in companies studied previously, with a couple of exceptions of studies set in public hospitals, which are also regulated to a larger extent (Kondo, Nishii, & Aihara, 2013; Naranjo-Gil & Hartmann, 2006). However, the contextual factor of regulation as an addition to the control system is not explicitly taken into account in these two studies.

Moreover, one can, because of the extensive and increasing regulation of the banking industry, assume that at least some substantial parts of the banks’ control systems are of coercive design. As coercive control design has not been paid much attention previously, this poses an opportunity for studying enabling and coercive control in a setting where parts of the control system is stipulated by the regulatory setting.

To conclude, the complexity in banking, both in terms of business models and services/products and in the context in which they act, provides a setting in which enabling and coercive control have not yet been studied. However, this gap in previous research is, in line with Alvesson and Sandberg (2011), not the only reason why banking is a context worth exploring in terms of enabling and coercive control. A gap in the literature does not necessarily mean that it is worth filling. However, a problematization of the theory and the literature is the foundation for the research questions of this thesis. This specific setting entails characteristics (extensive regulation, financial service) that pose questions of the current theory and framework both on the empirical application of concepts, but also some underlying assumptions made in the theory, for example regarding the practice and meaning of enabling formal control in organizations that not only have high degree of intra-organizational control and formalization but also have extensive regulation imposed on them.

Next, Adler and Borys (1996) suggest that enabling and coercive control is not only a design issue, but can also be studied in relation to use and the development process. What follows is previous literature reviewed from these three focuses; design, use, and development process.
2.2.2 Research focus

Enabling control has been studied with a focus on three different dimensions: design, development process and use. By focus I mean that enabling and coercive control has been studied with different interests, whether it is in the control design, the day-to-day use of a control system, or the process in which a design is developed. Although it seems that the three focuses are easily distinguishable, they are often mixed and intermingled in research.

Focus: design

First, according to Adler and Borys (1996), enabling control is distinguished from coercive control by four design features originating from equipment design. In short (a more extensive account of the features can be found in Chapter Three), the features are concerned with the employees’ capability and authorization to improve or modify (parts of) the system or processes when they are not working as planned or “break down”, or to modify in order to improve the functionality of the system given the situations and work demands which employees meet. Furthermore, enabling control means that employees understand their work and control system, both the internal functioning of the control system and how their own work “fits into the whole” or how the control system relates to a broader domain.

Research on the design features of enabling control has mainly shown how the features relate to and/or are expressed in different settings or control elements. Ahrens and Chapman (2004) demonstrate how the design features, in addition to work formalization, are useful for studying management control systems. Their case of a restaurant division highlights repair as a key feature, but also show how practices such as workshops, starter-bings and target blackboards represented transparency (internal and global) and how restaurant managers were allowed flexibility in their service management of the restaurant. Furthermore, several types of performance have been investigated in relation to enabling features of control, such as Chapman and Kihn’s (2009) study of the association between information system integration, the four features of enabling control and performance, where the researchers found all design features associated with system success and performance except flexibility which did not have an association with system success. Mahama and Cheng (2013) in their study of enabling costing systems and task performance found enabling costing systems being indirectly associated with task performance, through intensity of use and four dimensions of psychological empowerment (meaning, competence, self-determination and impact). Kondo et al. (2013) explore enabling
design features in a professional bureaucracy where medical and management are commonly assumed to be incompatible, but conclude that, with enabling control design, there could be some match. Henttu-Aho (2016) studies enabling design in budgeting practices in a paper company and shows how the controllers’ role in budgeting practice is advancing with an enabling approach. Väisänen, Strauss, Tessier and Järvinen (2018) study enabling design as part of a management control system with interrelated controls.

As argued previously, despite the increased interest in enabling and coercive control in the management control literature, there is still a conceptual blurriness in central concepts. The concept of enabling control has been applied in various contexts and with different focuses, but the conceptual meaning of what enabling control design is has gained less attention. Although empirical investigations have presented important findings, the conceptual development of the features of enabling control has been limited. The definition of enabling control, and what the features are and mean, is taken for granted based on Adler and Borys’ (1996) notion. Some authors indicate a theoretical elaboration, for example on the interplay and interrelation of features (Englund & Gerdin, 2014) and enabling control as quality of management control (Tessier & Otley, 2012). However, the majority of studies using the concepts of enabling control design treat them as descriptive tools and for categorization.

Coercive control has no explicit design features in the theory, but from the more general meaning of coercive control as deskilling, constraining, force compliance etc. (see next chapter for an elaboration on the definition of coercive control) a small number of studies have also addressed the coercive design dimension. For example, Ahrens and Chapman (2004) found in the restaurant chain they studied that head office had what they call a “coercive vision” of how to control the restaurants. Because of mistrust between head office and restaurant managers, head office felt they needed to force compliance with standards, and in this way exert coercive control. More concrete, coercive control was expressed by restaurant managers’ feelings that they were in danger of becoming “glove puppets” and simply carrying out instructions and standards set by head office. Another example is Free (2007) who has studied supply-chain accounting practices and describes how control designed to enhance accountability and reduce differences in handling external elements was seen as coercive. Defined obliga-
tions, emphasis on compliance and top-down buyer control and little discretion as well as processes that are designed in order to serve the superior party’s interest are depicted as coercive (Free, 2007).

Coercive control design has also been studied in how it relates to different employee groups and hierarchal levels (see Liew, 2012). From this study, employees were shown to be coerced, for example, when a management control system forced them to spend time on things they were not rewarded for or had no direct incentive to do, or when their understanding of other units decreased when face-to-face meetings were withdrawn (Liew, 2012). Väisänen et al. (2018) contribute to the coercive dimension by arguing that coercive design traits are perhaps inherent in all management control systems, and even where enabling control is desired, coercive control can reduce potential negative side-effects which can result from enabling control. Although the above examples show some understanding for the coercive control dimension, coercive design is considerably less researched than enabling control. Research has mainly contributed descriptive accounts but few theorizations about coercive design have been made.

As previously mentioned, the bank setting is not yet explored in terms of enabling and coercive control; consequently, empirical descriptions about how enabling design features can be expressed in a bank setting or the role of coercive control is lacking. Moreover, the bank setting is interesting when it comes to enabling and coercive design features, because there are control elements in banks which at first thought are presumed not to be meant as completely enabling due to governmental regulations and customer protection at the same time as their product (financial services) would presumably require some form of enablement.

Focus: use

The second focus is use, i.e. the way control systems or accounting systems are used on a more daily basis or in a change situation. Adler and Borys (1996) propose that use of formalization/control may have great impact on the outcome of enabling or coercive approaches, to the extent that it can overrun an enabling design. More precisely, they say that

“...even if the procedure design team tries to change the broader organization by taking a new, enabling orientation, a procedure designed with an enabling intent and embodying enabling features can be implemented coercively.” (Adler & Borys, 1996, p. 76)
The quote from Adler and Borys (1996) opens up a less deterministic view of the concepts of enabling and coercive control by recognizing that the way a control system is used will also influence the employees’ perceptions of that control. Hence, use of a control system is a key dimension of enabling control.

Ahrens and Chapman (2004) show how a restaurant chain, by means of workshops and allowing restaurant managers to react to local circumstances, used the management control system in a for the restaurant managers enabling way. In line with Ahrens and Chapman (2004), Jørgensen and Messner (2009) depart from the challenge for contemporary organizations to balance efficiency and flexibility. They found that the organization in their case study managed to balance efficiency and flexibility, because of the commitment to enabling control. However, they gently suggest that enabling control might actually be costly and harmful because, from their study of organizational change, they propose that “incremental repair efforts” might prevent the organization from making more radical (necessary) changes and re-designs.

In another study of enabling use, a supplier-retailer relation was sustained, transparency was enhanced and communication between the parties facilitated. By using joint information and forecasting, the processes became more transparent to the end that performance measurements and other accounting concepts were considered to be opportunities for learning and problem solving, and enhanced cooperation (Free, 2007). Also, Henttu-Aho (2016) point to the use of forecasting as facilitating enabling control. Adler and Chen (2011) argue in their conceptual article that enabling (and coercive) use of control affects diagnostic and boundary systems effect on employee motivation.

Enabling use of control has also been shown to have informal dimensions. Jørgensen and Messner (2009) found in their study of a new product development process that global transparency was achieved by informal information sharing among project managers and engineers, or making additional informal templates in order to repair an insufficient control element. In like manner, top management’s sense-giving to the control system (Jordan & Messner, 2012), or senior management’s intervention in information technology (Liew, 2012) have been found to create enabling control. In addition, Jordan and Messner (2012) found enabling use of control compensating for incomplete performance indicators, i.e. a flexible use of an incomplete system caused the performance indictors still to be regarded as enabling. Enabling use has also been found to bridge management and medical
“logics” in a professional bureaucracy (Kondo et al., 2013). Furthermore, enabling use of management control has been found to help organizations balance flexibility and efficiency/cost objectives (Ahrens & Chapman, 2004; Naranjo-Gil & Hartmann, 2006) both by statistical investigation and by a qualitative case study, and in a case of strategic change enabling use of control is fruitful (Jørgensen & Messner, 2009). A specific use of enabling control has been addressed by Väisänen et al. (2018), who found enabling control as a result of the interrelatedness of an organization’s other control elements.

Research on the use of coercive control has gained minor attention in previous research, but some indications of coercive control use can be found in studies addressing coercive control. In Ahrens and Chapman’s (2004) study, there seemed to be a lack of trust between head office and restaurant managers, where head office’s distrust lead them to employ a coercive approach to the restaurant managers. Similar to Ahrens and Chapman (2004), Free (2007) also found that coercive control was driven by distrust, conflict and defensive behavior that increased the emphasis on control and monitoring. Even if this is not in the formal control system per se, this had consequences for how the management control system was designed and used. Distrust led to stronger and stricter control and emphasized a coercive approach. What is more, minimal informal communication (Free, 2007) and no face-to-face interactions between controller and controlled (Liew, 2012) have been argued to be associated with coercive control.

Notably, whereas Adler and Borys (1996) develop the idea of enabling and coercive control as design types and design features, there is a considerable amount of previous research studying the use of control. In studies on the use of control, the very core in Adler and Borys’ (1996) enabling and coercive control becomes the background. In other words, many studies of enabling and coercive control tend to be interested in control use while applying the concepts of enabling control design. Although I do not claim that it is incorrect to study the use of control from the notion of enabling and coercive control, as shown above, Adler and Borys (1996) suggest that use could be part of the explanation, I argue that, because control design is the fundamental from which the theory is developed, this aspect deserves more attention, both in broadness of contexts and theoretical depth.

Focus: development process
Thirdly, the process in which management control is developed is also argued to define enabling control (Adler & Borys, 1996). A main contribution
of the studies of development processes is which development characteristics support an enabling approach of control. Adler and Borys (1996) start by suggesting that employee participation in the design development process will most likely result in positive attitudes on the part of the employees. Other characteristics of a development process which have then been argued to lead to enabling control are professionalism, experimentation and experience-based development processes (Wouters & Roijmans, 2011; Wouters & Wilderom, 2008). Wouters and Wilderom (2008) also show that transparency in the development process enhance internal transparency which is one design feature of enabling control. Based on the same case, Wouters (2009) add transparency, employee ownership and external facilitation to the characteristics. Building on Wouters (2009), Groen, van de Belt and Wilderom (2012) studied a development process of enabling performance measurements in a small professional service firm. They conclude that the development process and its characteristics are quite similar to developing enabling control in larger firm but find one major difference. In small firms, the strategy is not always formalized (as it is in larger firms with hierarchical levels) so an important part in the firm they studied was the development of a strategy map which then served as a basis for further development of enabling performance measurements. In addition, some studies have used other theoretical concepts to understand the development process of enabling control (e.g. mental models, Englund & Gerdin, 2014; knowledge integration, Wouters & Roijmans, 2011), whereas Kondo et al. (2013) suggest that enabling control can be created without a deliberate development process.

Research on development processes leading to coercive control is absent in the enabling/coercive literature, and this perhaps has reasonable causes. The positive connotation of enabling control makes it logical to focus on how to develop such positive control, whereas, on the other hand, the more negative connotation of coercive control is assumed not to be something that is desirable to develop. In the literature on development processes of enabling control, it is assumed and perhaps also required that the development process is deliberatively designed towards an enabling control system or element. Following Kondo et al. (2013), control can also be enabling or coercive without deliberate development processes.

To summarize previous research on enabling and coercive control (Adler & Borys, 1996), all three dimensions of enabling control proposed by Adler and Borys (1996) (design, use and development process) have been the sub-
ject of research in the management control literature (see Table 1): the de-
sign features of enabling control have been found to be useful in under-
standing management control and performance, balancing efficiency and
flexibility, etc.; the developing process of enabling control has been scruti-
nized and theorized; and the use of control has been researched as to how
it supports or counteracts enabling control.

Design and use have been the most common perspectives when studying
enabling and coercive control. As Adler and Borys (1996) develop the the-
ory, design is the foundation, although they propose use and development
processes to be factors affecting enabling and coercive control. As the liter-
ature is still quite limited and design of enabling and coercive control still
quite unexplored, especially in terms of different contexts and type of or-
ganizations, this area has the possibility for further research. Combining the
design perspective with a contextual perspective provides the potential to
explore the meaning and implications of the design features further.

In this thesis, the design features and daily use of enabling control is in
focus. As previously argued, design features of enabling control in a bank
setting are still unknown in the literature and it is here proposed to further
develop our knowledge about attitudinal outcomes of control. The use of
enabling control in day-to-day operations have indeed been studied in dif-
ferent cases, but once again the setting of a heavily regulated organization
constitutes a gap in understanding the use of enabling control. Also, the
space for conceptual development in the areas of design features and use is
also a reason for maintain in these areas.

As shown in Table 1, a substantial number of studies have been carried
out on result-based control, such as performance measurement systems or
performance indicators. As I initially argued, focusing on this type of con-
trol is not the best example when studying Adler and Borys’ (1996) concepts
of enabling and coercive control. They depart from workflow formaliza-
tion, and consequently the best examples for studying enabling and coercive
control in its fundamental meaning are organizations whose control systems
entail formalized routines and processes. Banks have both a high degree of
regulation, which assumes formalized work, and other control mechanisms
such as various performance measurements (Hussain, 2005) and are, there-
fore, a suitable context for the study of both enabling control and coercive
control.

Moreover, as noted in this account of enabling and coercive control re-
search and as can be seen in Table 1, the majority of the research on ena-
bling and coercive control has focused on the enabling part of the dichotomy. Neither is coercive control given any explicit features or attributes in the seminal work by Adler and Borys (1996). One interpretation that can be made is that the lack of features which constitutes enabling control, constitutes coercive control. Research on coercive control is to date descriptive and untheorized. One conclusion from the predominant focus in the literature on enabling control could be that enabling and coercive control are distinguishable and management control systems are either enabling or coercive. However, some research challenges this view, as enabling and coercive control have been found to coexist (Ahrens & Chapman, 2004; Free, 2007; Väisänen et al., 2018).
<table>
<thead>
<tr>
<th>Dimension Type</th>
<th>Design</th>
<th>Use</th>
<th>Development process</th>
</tr>
</thead>
</table>
| **Enabling**  | Adler & Borys (1996)  
Chapman & Kihn (2009)  
Groen, Wouters & Wilderom (2012)  
Liew (2012)  
Kondo, Nishii & Aihara (2013)  
Mahama & Chen (2013)  
Henttu-Aho (2016)  
Naranjo-Gil & Hartmann (2006)  
Free (2007)  
Wouters & Wilderom (2008)  
Jørgensen & Messner (2009)  
Adler & Chen (2011)  
Jordan & Messner (2012)  
Liew (2012)  
Wouters (2009)  
Wouters & Roijmans (2011)  
Groen, van de Belt & Wilderom (2012)  
Englund & Gerdin (2014) |
| **Coercive** | Ahrens & Chapman (2004)  
Liew (2012)  
Free (2007)  
Liew (2012) | N/A |
| **Coexistence** | Liew (2012)  
Mundy (2010)  
Liew (2012) | N/A |
2.2.3 Coexistence in enabling and coercive control literature

Coexistence of management controls is the simultaneous use of different control systems, control elements or control approaches. For example, Mundy (2010) found the firm in her study to balance two opposing approaches of control by, on the one hand, broad constraints and, on the other hand, allowing the managers to get creative and find new solutions to problems. By a balanced use of management controls, dynamic tension is created which “produces unique organizational capabilities and competitive advantages” (Mundy, 2010, p. 499). Moreover, in a case where lean production was implemented, lean controls were found coexisting with “traditional” controls. Coexistence was possible when managers could choose which control to use for their current task or when the controls were oriented towards different distinct areas, but coexistence also created (negative) tensions when these areas interfaced (Tillema & van der Steen, 2015).

In the enabling and coercive control literature, Ahrens & Chapman (2004) suggest, based on their study of a restaurant chain in the UK, that enabling and coercive control can be found side-by-side. This is because there were, on the one hand, mechanistic forms of control to ensure demands on efficiency, and, on the other hand, more organic forms to enable flexibility, i.e. adjustments for local contingencies. Thus, at the same time as management control and control processes can exist as an enabling approach, a coercive approach can be found in other controls. What is more, Free (2007) concludes in his study of the retail sector in the UK that enabling and coercive control is not mutually exclusive, as he found control elements that were at odds with the predominant control approach. In a study of a new product development division, both enabling and coercive control was found; while the management control enabled some groups of employees, at the same time it coerced another group (Liew, 2012). Altogether, several researchers have argued for the possibility for the two types of control to coexist.

A strong argument for looking further into the possible coexistence of enabling and coercive control is presented by Väisänen et al. (2018), as they argue for the importance of the interrelatedness of different elements in a management control system. By studying single management control elements, such as a budget system, a performance measurement system, or single control practices (e.g. sales target blackboards and dish standards), the package of interrelated management control elements which a management control systems consists of becomes marginalized (Väisänen et al., 2018).
As Väisänen with colleagues and others have argued: in an organization’s management control system there is a range of different subsystems/control elements which work simultaneously. This could in Malmi and Brown’s (2008) view be spoken of as a management control system package. In this view, management control systems, and subsystems, are related and connected through the organization’s broader control system and should, therefore, be recognized as such and not isolated from each other. And, although there are perhaps no technical links between different control elements, the employees might perceive them as related and, therefore, the perception of a certain control element might be affected by other coexisting elements (Väisänen et al., 2018). A relevant issue on the notion of coexistence of enabling and coercive control is thus to what extent multiple control elements are considered when studying enabling and coercive control.

Tessier and Otley (2012) remark on coexisting management controls by distinguishing between oppositions and contradictions. Contradicting concepts are mutually exclusive, because they are two poles in a continuum, whereas opposing concepts can coexist because they are on different continuums (and therefore is not mutually exclusive) (Tessier & Otley, 2012). The concepts of enabling and coercive control are described as one continuum, ranging from enabling to coercive (Adler & Borys, 1996). Hence, coexistence of enabling and coercive control, although empirically supported by a few prior studies, becomes theoretically problematic because they are, in Tessier and Otley’s (2012) view, contradictory concepts.

Similar to the concepts associated with enabling control design, coexistence of enabling and coercive control has a potential for conceptual elaboration, not least conceptual clarifications of definitions and implications about coexistence of enabling and coercive control. The few studies of coexistence of enabling and coercive control leave more to wish for in terms of conceptual contributions.

**Scope of control**

In previous studies of enabling and coercive control, the scope of control studied is relative narrow in relation to the span of formal controls that the organizations use (see Table 1). Some studies have focused on one control system, such as performance measurements, budgeting, costing systems. While previous research on enabling and coercive control has mainly focused on one distinct management control element (e.g. Jordan & Messner, 2012; Wouters & Roijmans, 2011; Wouters & Wilderom, 2008) rather than the collective of different controls that are not independent from each
other, the possible coexistence of enabling and coercive control has with a few exceptions (Ahrens & Chapman, 2004; Liew, 2012; Väisänen et al., 2018) gained less attention. No wonder coexistence of enabling and coercive control is unrecognized and unproblematized; when studying single elements coexistence among control elements becomes a non-issue.

Coexistence of enabling and coercive control has been largely disregarded in previous research (see Table 2). Although researchers as early as Ahrens and Chapman (2004) concluded the coexistence of enabling and coercive control approaches in their study of a restaurant chain, few have followed or in a more thorough way continued exploring such coexistence.

However, a few researchers have taken a broader view and studied the range of the organization’s control systems. It is noteworthy that it is these studies that have concluded a possible coexistence of enabling and coercive control. The issue of multiple control elements potentially affecting employee perceptions of control is nevertheless a limited area in the enabling and coercive literature.

On this note, the banking setting provides an arena where coexistence may be explored, as the very context implies coexistence of enabling and coercive control. Banks provide a context where both management control systems such as performance measurements and results based control (Hussain, 2005), and substantial regulation may exist. Whereas results-based control is more likely to be of enabling design (results rather than actions are controlled), regulation is more likely to be of coercive design (restriction of actions and imperative directives). Thus, banking is a case where the coexistence of enabling and coercive control design can potentially be studied.

Yet another take on coexistence is also discussed in Väisänen et al. (2018). Variation in perceptions about management control have in the enabling and coercive control literature been found at different hierarchical levels, such as between management levels or between management and employees. To extend this research, they show how differences in perception on the horizontal level (i.e. between actors at the same hierarchical level) also increase our understanding of coexistence. Whether an actor considers the control element’s interrelationship with other control elements will affect the actor’s perception of the control as enabling or coercive (Väisänen et al., 2018). Thus, the same control can be enabling and coercive for different actors at the same time, i.e. coexist.
2.2.4 Summary
While outlining the literature on enabling and coercive control, several points have been emphasized in support of the motivation of this thesis, as presented in Chapter One. Previous research has mainly addressed settings where managerial discretion is high and external control is low. The banking industry with high formalization and extensive governmental regulation provides context characteristics that seem more in line with what the theory of enabling and coercive control was developed to handle. Investigating such a context permits problematization of the framework (i.e. previous literature) and development and problematization of the theory (i.e. Adler & Borys, 1996).

Moreover, the literature has addressed all three focuses of enabling and coercive control, design, use and development process. While design has been studied from multiple standpoints, there is potential in exploring coercive control design further, and in exploring enabling control design in a very much formalized and controlled context. However, there is a need for further conceptual elaboration of central concepts in the framework, for example in relation to the design features.

Lastly, this review of previous research clearly underpins the potential in exploring the coexistence of enabling and coercive control. Current knowledge, both empirical and conceptual, about coexistence of enabling and coercive control is limited, but previous research indicates that there is potential in this area.

2.3 Research questions
This review of previous research on enabling and coercive control has fulfilled the purposes of more thoroughly grounding this thesis’s aim presented in Chapter One. This in order to be able to make visible and pose research questions specifying how the aim of this thesis contributes to the literature on enabling control. First, Adler and Borys’ (1996) concepts of enabling and coercive formalization have been shown to be useful in understanding management control as it is perceived by employees, and their attitudes to it. However, previous research has mainly given attention to performance measurement systems, results control or the like, which could be argued inherently to have the potential to be enabling: the point with such control is to leave space for employees to achieve the objectives in their own ways. Enabling control, thus, becomes recurrently an issue of use, for example tightness and judgmental aspects of results control are emphasized.
Second, contexts where there is a considerable level of regulation, workflow formalization and rule based control provides a setting where enabling and coercive control can be studied more closely to Adler and Borys’ (1996) notion of enabling and coercive formalization. The specific characteristics of the banking industry, i.e. extensive regulation and financial service firms, represent one such setting that potentially contributes to new insights on the attitudinal outcomes of enabling and coercive control. This is because the regulative context in which banks act suggests that coercive control design is quite expected. Compared to dominant settings where coercive and mainly enabling control have been studied, the choice of formal control arrangements is more limited, conditioned by, and embedded in, the institutional field to which the organization belongs. Organizational structures are substantially impacted by their institutional field, both from legislative structures and from the society and social expectations (Meyer & Rowan, 1977). How institutionalized organizations within institutional fields that promote control and formalization, at the same time as the product is complex services, work to create enabling control emerges as an interesting and pressing area to explore. Moreover, how employees perceive formal control related to higher, external organization, levels become interesting.

In addition, in terms of previous research there seems to be an asymmetry and tilting towards enabling control in the literature on enabling and coercive control. This could be due to the rather limited contexts in which enabling and coercive control have been studied, and the implicit taken for granted idea that enabling control is the ‘good’ and coercive control is the ‘bad’. This seems not to fit well with expectations about and performance demands of a bank where both customers, regulators and owners would probably put positive connotations on control structures aimed at constraining the behavior of employees. Therefore, there is a need to consider the coercive end of the dichotomy simultaneously with enabling control in order to grasp employee attitudes to formal control in this kind of setting. This approach to studying enabling and coercive control is supported by comprehensive take in this thesis on formal control as a package (Malmi & Brown, 2008), where some control elements are most likely designed in a coercive manner and some are likely to be designed with a usability (i.e. enabling) approach (Ahrens & Chapman, 2004).

As shown above, a stream of research points in this direction; coercive type of control should also be considered, because (1) enabling control seems to be not exclusively the most appropriate/possible alternative, and
Coercive control can, or is expected to, be found to coexist with the enabling type of control. Consequently, the question of coexistence of coercive and enabling control becomes important to consider. Several studies from previous research suggest that coexistence of enabling and coercive control is possible. However, there are many questions about coexistence of enabling and coercive control that are unanswered, not least would empirical descriptions of coexistence of enabling and coercive controls in different contexts increase our understanding of how this kind of coexistence is expressed, how it affects employees’ perceptions of control, and the implications for the employee. In regulated contexts such as the banking industry, coexistence of control elements simultaneously working to direct behavior (internal management control systems as well as governmental regulations) is most likely. However, how coexistence of enabling and coercive perceptions of control in this specific context is expressed is, as said, less clear.

Also, and likewise important, is the lack of conceptual development of the theory of enabling and coercive control. I have in this review of previous research pointed to the emphasis on empirical, descriptive, use of the concepts in the enabling and coercive control literature, and argued that there are conceptual elaborations and clarifications to make within this literature. This becomes evident especially in regard to the features of enabling control, coercive control, and coexistence of enabling and coercive control.

In order to fulfill the aim of this thesis, I formulate two research questions:

- What is perceived as enabling and coercive in a control system in a regulated (bank) context, and why?
- How, and in what way, do employees respond to coexistence of enabling and coercive control?

The first question aims to describe and elaborate on the concepts of enabling and coercive control within the specific context of banking. As argued above, banks constitute a context with specific control demands and a regulative environment that may have implications for what employees perceive as being positive or negative control for their work. A closer look at the features of enabling control, and coercive control, in a regulated context will arguably increase our knowledge about the meanings and relationships of enabling control, coercive control, and attitudinal outcomes.
The second question relates to the assumption that organizations, and banks specifically, have coexisting control systems that may include both enabling and coercive types of control. If employees meet both enabling and coercive controls, how do they respond to such coexistence? This research question addresses the relationship between enabling and coercive control and attitudinal outcomes. If both enabling and coercive control exist, this will likely influence employees’ response to the control.

This thesis contributes to the enabling and coercive control literature by addressing the potential coexistence of enabling and coercive control in banks. A small number of studies have acknowledged and discussed enabling and coercive control as coexisting, but greater understanding of this subject is needed. In contrast to previous research, the setting in which this thesis addresses enabling and coercive control, and coexistence of such, consists of a heavily regulated financial service industry (the banking industry), where different interests of control converge but is conditioned by governmental regulations. This thesis scrutinizes the conceptual meaning of the theoretical concepts of enabling and coercive control. This is done both by a thorough review of the theory and by an empirical investigation which is the foundation for developing the framework.
CHAPTER 3

3 Theoretical framework

3.1 Enabling and coercive control

The purpose of this thesis is to contribute to knowledge of how formal control relates to attitudinal outcomes. The theory of enabling and coercive control can be used to fulfill such a purpose, as it provides explanations for positive and negative attitudinal outcomes: a control system’s design is proposed to explain outcomes in terms of attitudes.

In this chapter, the theory and its origin are described and accounted for in order to provide a deeper understanding of the meaning and rationale behind the concepts of enabling and coercive control. This chapter also serves the purpose of setting the stage for how I view and understand the theory, which is the foundation for the analysis and conclusions of this thesis.

The theory of enabling and coercive control as it has been used in management accounting and control research originates from Adler and Borys’ (1996) article “Two Types of Bureaucracy: Enabling and Coercive”. Before going into detail about Adler and Borys’ (1996) concepts and ideas about how to explain attitudinal outcomes of formalization, it is fruitful to understand from what theoretical ancestors they are developed.

The issue of attitudinal outcomes from formalization that Adler and Borys (1996) address originates from the notion of bureaucracy and what has been seen as contradictory research results of whether formalization has positive or negative attitudinal effects (see Chapter Two, section 2.1). Bureaucracy is an organizational form in which “precision, speed, clarity, regularity, reliability, and efficiency” is emphasized (Morgan, 2006, p. 17). This is achieved by hierarchy, division of tasks and regulation (Morgan, 2006). Formalization is often associated with written, formal, rules, but Walsh and Dewar (1987) define formalization more comprehensively as coding, channeling and standardizing behavior. Coding means complex activities are formulated in a less complex way, such as labels (e.g. the concept ‘budget’ is a short name for an artefact or process). By using formal labels such as ‘budget’, instead of describing the process in detail, the influence, or control, becomes more efficient. Channeling refers to influencing behavior and helps to describe which behavior is expected and appropriate and which is prohibited and inappropriate. Formalization expresses these “guides” to limiting the variation of human behavior. Lastly, formalization promotes
standardization of rules, which helps to determine whether a behavior is rewarded or punished. Comparison between standards and actions permits the organization to legitimate punishment or rewards (Walsh & Dewar, 1987).

It has been claimed that, at its extreme, a totally formalized organization is like a well-oiled machine, where the tasks are performed with precision and everybody knows what to do in every situation (Mintzberg, 1979). Bureaucracies have in organization theory also been portrayed as positive in terms of efficiency, facilitating task performance, and even reducing role conflicts and ambiguity (Adler & Borys, 1996). However, there is a comprehensive criticism of the bureaucratic structure. For example, some is concerned with bureaucracy and the external environment: because of the mechanic systems that bureaucracy constitutes, it is not suited to the rapid changes that are facing contemporary organizations (du Gay, 1994; Mintzberg, 1979). Another stream of criticism is concerned with the moral aspect of bureaucracy, i.e. it is claimed to separate work and life, pleasure and duty, reason and emotion, etc., causing human as well as financial costs (du Gay, 1994). Despite the use of bureaucracy as an ideal type, Weber was, according to Morgan (2006), not an advocate of bureaucracy. Instead, he was skeptical of how bureaucracy, as he saw it, is threatening the human spirit and constituting a means of domination (Morgan, 2006).

Weber’s ideas of bureaucracy are argued to be the basis for the contradictory assessments of attitudinal effects of formalization (Adler & Borys, 1996) that underpin the theory of enabling and coercive control. With the aim of explaining these contradictory research results and contributing to our understanding of attitudes to formalization, Adler and Borys (1996) introduce two types of formalization, having opposing attitudinal outcomes: positive and negative. These ideas are now described and scrutinized in more detail.

### 3.2 Enabling and coercive types of formalization

One contribution to understanding bureaucracy and formalization in contemporary organizations is presented in Adler and Borys’ (1996) typology of organizations. In their article, they are trying to understand positive and negative attitudes to bureaucracy and formalization. They suggest that attitudes to bureaucracy are not only affected by the degree of formalization, but claim that there are also different types which have implications for attitudinal outcomes. Research on formalization is often concerned with the degree to which an organization is formalized (e.g. Hall, 1963), but does
not often consider that there could be different types of formalization as well (Adler & Borys, 1996). Adler and Borys (1996) draw on equipment technology when suggesting that organizational formalization can be designed in different ways, having different attitudinal outcomes. The different types of formalization presented in their theory are ‘enabling type of formalization’ (having positive outcome) and ‘coercive type of formalization’ (having negative outcome).

### 3.2.1 Equipment technology

As said, Adler and Borys (1996) base their ideas of enabling and coercive types of formalization on equipment technology. Equipment, they conclude from previous research, can be designed as two different types; either with a deskilling and fool-proofing rationale, or with a usability rationale. The deskilling rationale includes “operators monitoring the machine” and automation, meaning the operators’ work is reduced to passive monitoring of set systems (Perrow, 1983). In an equipment design context, this is easily understood as a hardware (machine) and software operating and the operator’s role is to passively oversee the machine. This deskilling design rationale, Perrow (1983) argues, leads to operators having a low level of skills to react to unexpected situations and emergencies, and even low morale. In the usability rationale, on the other hand, system design has the potential for supporting operators’ learning, understanding, and the possibility to make necessary changes (Adler & Winograd, 1992). This would provide feedback from the machine to the operator, which in turn increases the operator’s attention and skill maintenance (Perrow, 1983).

Another way of describing these two types of design approaches to equipment design is presented by Salzman (1992). He distinguishes between skill-based (usability) and technology-based (deskilling) design approaches. In the latter case, a company implemented machines that were designed completely by engineering designers with no operator involvement. The design was for centralized control and the operators had no possibility of making modifications to the system. In another company, machines were implemented with skill-based design, designed with operator involvement to allow the operator to make modifications in order to improve output quality (Salzman, 1992).

By seeing organizational structure, such as, for example, formalization, as a technology, Adler and Borys (1996) draw on these theoretical foundations when developing their theory. Formalization of the coercive type, hav-
ing negative attitudinal outcome, is based on the assumption that bureaucracy by its nature is coercive and hinders individual autonomy. In this view, formalization is seen as a coercive mechanism because of its asymmetric power distribution; actors at higher hierarchal levels can shape the formalization in a way that those at lower levels cannot. Enabling formalization, on the other hand, makes the employees governors of their tasks. The employees form mental models of the system, which enables them to regain control if mistakes are made or the system breaks down. Thus, this supports a positive attitudinal outcome. Enabling formalization can facilitate work performance, reduce role conflict and ambiguity, and have other positive effects for the employees (Adler & Borys, 1996).

3.2.2 Design, development process and implementation

Enabling and coercive formalization is about design of formalization as complementing degree of formalization as an explanation of outcomes. By attributing certain features to the design of a formalization, the control is either enabling or coercive.

The foundation in the theory of enabling and coercive formalization is that, by identifying the design features in an organization’s work processes, we can assess whether the approach to formalized procedures is enabling or coercive. Another key component in enabling formalization is the design development process. With employee involvement in the formulation of procedures and routines, this is likely to have positive attitudinal outcomes (Adler & Borys, 1996). Yet, another component is the implementation of a procedure. Adler and Borys (1996) note:

"a procedure designed with an enabling intent and embodying enabling features can be implemented coercively.”（p. 76）

Thus, the formalization as such is not isolated from the implementation of it. Because procedures are often designed in a specific context, the procedure is bound to be influenced by the broader organization orientation (Adler & Borys, 1996). For example, some conditions that promote implementation of enabling formalization are suggested by Adler and Borys (1996) to be employee voice, employee skills, and process control. These are added to the list of preconditions for ‘adjustive development’ (leading to effective bureaucracy), which contains a minimum of employment security, a professional orientation towards the performance of duties, established work groups that command the allegiance of their members, the absence of basic conflict between work group and management and any organizational
needs that are experienced as disturbing (see Blau, 1955) (Adler & Borys, 1996). Lastly, flexibility in implementing and changing the procedures is seen as characteristic of implementation to foster enabling formalization (Adler & Borys, 1996).

To summarize, whether formalization is enabling or coercive is due to the design, the development process and the implementation of the procedures. Consequently, a question of what shapes the choice of enabling or coercive formalization follows. According to Adler and Borys (1996), there are forces encouraging enabling formalization and forces encouraging coercive formalization. Starting with enabling, there is a growing legitimacy in the broader context. When talked about in the public discourse, enabling logics are done more often and more positively (Adler & Borys, 1996). This would encourage an enabling approach, because it is in line with the public ideal. Secondly, task environment and competitive pressure can also encourage enabling formalization by pressuring organizations to be more innovative and opportunity-seeking in order to improve performance. Even in contexts of highly repetitive and formalized work there might be considerable performance advantages with enabling formalization. Thirdly, as contradictory as it may seem, a high degree of automation increases the advantage of the enabling approach. With a high degree of automation, formalization can be reduced, but this leaves the employees with learning tasks instead that require skills and knowledge and employee involvement (Adler & Borys, 1996).

On the other hand, the forces encouraging coercive formalization are asymmetries of power and absence of reality checks. Greater asymmetry in power between manager and employee allows the manager to shape a coercive type of formalization and, according to Adler and Borys (1996), it is inevitable to adopt a coercive approach if the asymmetry is extensive. Centralization in power, skills, knowledge and rewards also encourages a coercive approach. Absence of the reality checks that competition provides, rivalry and demanding customers may cause an inward focus that favors coercive formalization (Adler & Borys, 1996).

3.2.3 Extended typology of organizations
An important point in the theory of enabling and coercive control is that the traditional way of distinguishing between mechanic and organic organizations is simplistic and one-dimensional, if degree of formalization is the determining dimension. This, Adler and Borys (1996) claim, causes some
problems. First, they note, the conventional contrast of mechanistic and organic organization forms assume that formalization is something that needs to be reduced (i.e. low degree) in order to produce motivation and satisfaction among the employees. Adler and Borys (1996) argue that empirical evidence suggests that this is not a viable assumption. Second, organizations that actually consist of a mix of routine and non-routine tasks and/or processes do not fit into this conventional distinction between mechanistic and organic organization forms. It creates an “organization design dilemma”, because the one-dimensional dimension (degree of formalization) does not allow for routine parts to be managed in a bureaucratic, coercive way at the same time as they are managed in an organic empowering way (Adler & Borys, 1996). Adler and Borys (1996) insist that an extended typology is needed to develop this traditional categorization closer to contemporary organizations.

By adding a dimension, i.e. type of formalization, a two-dimensional matrix consisting of four forms of organizations emerges (see Figure 1). Added to the conventional mechanistic and organic organization forms is autocratic (low on degree and coercive type) and enabling bureaucracy (high on degree and enabling type). The matrix illustrates how there may be two different types of bureaucracies and two types of “non-bureaucracies”. It also questions the underlying assumption that a high degree of formalization is “bad” whereas low degree is “good”.

![Figure 1. Typology of organizations.](Source: Adler & Borys (1996, p. 78)]
What the theory of enabling and coercive formalization suggests is that attitudinal outcomes depend both on the fit between degree of formalization and routines of the task, and on type of formalization (Adler & Borys, 1996). Positive or negative attitudinal outcomes are not just a matter of bureaucracy or non-bureaucracy, Adler and Borys (1996) draws a picture that is more complex than that. The line of thought is that positive attitudinal outcomes can be expected in both organizations with high formalization and in organizations with a low degree of formalization as long as the formalization is of the enabling type. This permits an understanding of organizations where routine tasks and non-routine tasks are mixed; when both routine and non-routine tasks are managed in an enabling way, the organization can take advantage of both the effectiveness that formalized processes provide and the flexibility and innovation that other processes may require. Features of the organic form support innovation and features of the enabling bureaucracy form support requirements for efficiency and control (Adler & Borys, 1996).

So far in this chapter the theoretical background driving Adler and Borys’ (1996) seminal article and the theoretical base from which they developed the theory of enabling and coercive formalization is accounted for. Furthermore, the extended typology of organizations that the two types of formalization result in show that this theory is not only to be seen as concerned with a particular system level, but also contributes to our understanding of formalization at an organizational level (although this part has gained less attention in subsequent research). However, the concepts of enabling and coercive formalization (rather than enabling bureaucracy, autocratic, etc.) have been of most interest and are so also in this thesis. Adler & Borys (1996) propose four generic features which help us distinguish between the two types. Next is an in-depth report of the features, and a proposal for how these can be understood in relation to each other, but first the link is clarified between enabling and coercive type formalization, and management control literature which have adapted the concepts.

So far, I have acceded to the stream of researchers who find the framework of enabling and coercive control useful in understanding positive and negative attitudinal outcomes of management control systems. Adler and Borys (1996) developed concepts and a general theory as a means for understanding perceptions of control as an outcome of control design, and in this way proposed four features which constitute enabling control. This has acted as a springboard for further research. Even so, I argue that there are
aspects of the theory that need to be developed and/or clarified. These aspects are the four features, the relation between design and use and perception, the concept of zone of indifference, and whether enabling and coercive control should be viewed as qualities or dual roles. The arguments for this unfold throughout this chapter as the theory applied in management control literature is outlined.

3.3 Enabling type of management control

As has been noted, the aim with the theory of enabling and coercive formalization is to understand contradictory views of attitudinal outcomes of bureaucracy, which is done by suggesting that outcomes are not just affected by the degree of formalization, but also by which type of formalization people is confronted with. A significant application of the theory has also been in the management control and accounting literature. The enabling and coercive formalization theory has in recent years been applied to various management accounting and control studies, argued to be suitable as a way to understand those being subject to the control. For example, Ahrens & Chapman (2004) were the first to demonstrate in their field study of a restaurant chain how Adler & Borys’ (1996) theory can be translated into a “management control context”. Management control is associated with formalization in different ways. First, there are formal and informal ways of managing and controlling an organization. Whereas Anthony and Govindarajan (1995) view management control systems as formal systems (together with rules), Malmi and Brown (2008) see formal control as subsystems in the management control package which entail both formal and informal control (such as some types of cultural control). Especially cybernetic control is characterized by formal rules and routines, and standardized operation processes (Ahrens & Chapman, 2004). The formal management control practices which an organization uses thus represent formalization. Moreover, the bureaucratic way of controlling an organization is by observational hierarchies, (formal) rules and procedures, and records and files (Macintosh & Quattrone, 2010). Records and files refer to output, input, results, etc. which are formalized into management control and accounting systems. For example, performance measurements systems are very much dependent on formalized recording and reporting of performance.

Although Adler and Borys (1996) developed the theory of enabling and coercive types of formalization with organizational form and formalization in mind, Ahrens and Chapman (2004) and later researchers have shown the usefulness of the theory in management control studies, either by taking a
broad grip of the organization’s management control system or focusing on
certain controls, such as, for example, performance measurements systems.
Either way, an important part of the framework, both in Adler and Borys
(1996) and in the management control literature on the framework, is the
design features which are argued to constitute enabling control. What fol-
lows is an in-depth description of the features based on previous research,
as well as suggestions for some elaborated ways of how to understand these
features.

3.4 Design for use

Adler and Borys (1996) use ‘design’ to conceptualize enabling type of for-
malization, but, as design is a central part of the theory, this needs to be
clarified and elaborated. In short, in order to understand the theory as it
depart from the employee perspective, design should also be viewed from
the employee perspective.

Design in management control literature is often associated with design
characteristics such as choice of control (e.g. the choice of result control,
action control, etc.), scope of control (how many controls are implemented),
and control tightness (how much, or little, autonomy there is in the control)
(Merchant & Van der Stede, 2007). This clearly means a focus on the effi-
ciency and benefit from a top management perceptive. However, when Ad-
ler and Borys (1996) talk about design it refers to design characteristics from
the employees’ point of view, and how the control system is used by the
employees to empower them in their work, rather than use by top manage-
ment. Thus, enabling control is concerned with the use of a control system
for the employees, accordingly design for use.

Design for use means that a control system can be designed with charac-
teristics which can either promote use of the system, or not. The user is, in
this view, the workforce. Just as the user of an equipment technology is the
operator (Adler & Borys, 1996), the user of a control ‘technology’ is the
employees who use the system on a daily basis, for example as instructions
in the case of a workflow rule, or as objective for their actions in the case
of result control. Usability means that the system is designed for taking ad-
vantage of and enhancing the employees’ skills, rather than just replacing
the employees’ skills with systems (Adler & Winograd, 1992). While such
thoughts are developed with equipment technology and work design in
mind, this line of thought would likewise be applicable to management con-
trol design. Usability is concerned with the user’s possibility to coordinate
the work with other workers or other areas of the organization, and about learning and adapting (Adler & Winograd, 1992).

What is more, usability is concerned with the user’s perception of the system, not only from a physical and mechanistic point of view, but from a cognitive and social view (Adler & Winograd, 1992). This implies that design features of enabling control not only addresses the physical aspects, but also the way that design can enhance the mental prerequisites for enablement. In the theory of enabling and coercive control, design for use is the factor that is proposed to affect attitudinal outcomes. Accordingly, design for use, with the design characteristics of repair, flexibility, internal, and global transparency, is the independent variable in this model.

3.5 Quality vs. dual roles
A reasonable discussion related to the framework of enabling and coercive control, and which I argue contributes to clarifying the meaning of the concepts, is whether we should see the enabling and coercive control concepts as control qualities or as controls serving dual roles in the control system. This is a discussion Tessier and Otley (2012) address. While primarily addressing the levers of control (LOC) framework, Tessier and Otley (2012) also incorporate the enabling and coercive concepts into their developed LOC model. They argue that a distinction between managerial intension with a management control system and employees’ perception of the same is important when discussing management control. Management control systems can be designed and used with an intent by management that does, or not, coincide with employees’ perceptions of the control (Tessier & Otley, 2012). As Tessier and Otley (2012) put it:

Managerial intentions […] is a design attribute of the MCS. Employee perceptions, […] refer to employees’ interpretation […] and, therefore, is not a design attribute of the MCS. (p. 175)

Thus, even if top management designs a control system according to enabling features, the perceptions of that system by the employees might be positive or negative. This view clearly distinguishes design from perception, and my viewpoint in relation to Adler and Borys’ (1996) theory is that this is necessary in order to understand how these concepts can be applied in real contexts. Coexistence of enabling and coercive control does not necessarily mean coexistence of positive and negative perceptions; it could be a discrepancy in intention (design) and perception outcome. This idea challenges, but does not undermine, the theory of enabling and coercive control.
Instead, it opens up for developing our understanding for enabling and coercive types of control and attitudinal outcome.

Another related and adjacent distinction addressed by Tessier and Otley (2012) is the distinction between the dual roles of management control systems and the quality of management control. This is similar to the distinction between intention and perception, but is more concerned with the control system per se. While intention and outcome move between management and employee levels, the ambiguity in dual role and quality is concerned with the control system at a system level. A control system can have dual roles, where different controls have different roles in order to create a dynamic tension, i.e. some controls stimulate creativity and learning, whereas others ensure predictability to the organization. This does not mean that neither is bad, but together they create this dynamic tension (Tessier & Otley, 2012). Given this, Tessier and Otley (2012) argue that we must distinguish between the dual roles management control systems can have (i.e. serving creativity and predictability), and the perception of whether the control systems are good or bad for the organization (i.e. the quality). Väisänen et al. (2018) also view enabling and coercive control as dual roles when they draw on duality as a way of understanding the interdependence of the two seemingly contradicting types of control. Quality is the perception of whether the outcome of a control system is good or bad, for example, whether a certain performance is of value or not to the organization, or whether the control system is efficient, economical, etc. or not. Thus, in terms of quality, the outcome of a control system can be more or less desirable, whereas both of the dual roles are desirable.

I agree with Tessier and Otley (2012) that this is an important distinction to make because, just as intention and perception are about design and not design respectively, dual roles are in the design of a control system and quality is perceptions, assessments, of whether a certain control system is good or bad for the organization, i.e. not a design attribute. In this spirit Tessier and Otley (2012) criticize Adler and Borys (1996) for confusing quality with dual roles when they describe enabling (design) as “good” (quality) and coercive (design) as “bad” (quality). I agree with Tessier and Otley (2012) to some extent, but am perhaps not that strict in my critique. Yes, the dimension of dual roles as a design character and the dimension of quality as assessments of control outcomes should not be confused, because, just as in intension and perception described above, these represent two different perspectives of studying control. However, one has to remember that Adler and
Borys (1996) initially tried to explain what determines employee assessments of whether formalization is positive for them or not, and already there it is obvious that they view a direct link between formalization design and employee perception. However, this does not mean that they are the same: Adler and Borys (1996) clarifies that enabling and coercive control are design approaches, and attitudinal outcomes are assessments of such designs. With this assumption it is easy to criticize Adler and Borys (1996) for confusing the concepts. However, this does not mean that the framework and concept as such is inconsistent, but perhaps rather vague and needs more research and theorizing.

3.6 Perception as an outcome of design

As the dependent variable in the theory we find attitudinal outcomes. What is intriguing in the theory of enabling and coercive control is that the outcome variable in the typology of enabling and coercive control is not efficiency or any other performance-based variable. Instead, the outcome of interest is the employees’ perceptions and attitudes about the control system in which they perform their work. Thus, an underlying assumption in this theory is that employees’ attitudes towards a control system is affected by the design and use of that particular system. Perceptions and attitudes are, in turn, important not only for the individual employee (e.g. as base for job satisfaction (or not), well-being (or not)), but also for the organization, because it affects the way actors behave (Burney et al., 2009).

Similar to parts of the independent variable where conceptual elaboration and development is called for in this thesis, the outcome of enabling and coercive control is also conceptually fuzzy in previous research. Hence, for the sake of this thesis, but also as a contribution to the development of theory, the outcome is here given some attention. Previous literature, with a few exceptions (e.g. Tessier & Otley, 2012), does not discuss this to any greater extent and is unspecific as to whether it treats the outcome as (general) positive and negative attitudes, synonymously with enabling and coercive control design, or some other definition.

While Tessier and Otley (2012) argue that perceptions of control could be influenced by factors other than management control elements, Adler and Borys’ (1996) focus is on the focal control element and its effect on employee attitudes. The central aim of Adler and Borys’ (1996) seminal paper is to “develop a useful theory of how employees distinguish good from bad rules” (p. 66), and this, they propose, is done by looking closely into the control design. While the design-perception relationship within this
framework has been the subject of discussion (Tessier & Otley, 2012; Väisänen et al., 2018), the interpretation of this relationship made in this thesis is as follows.

In the enabling and coercive control theory employee perceptions of control is not part of the control design, but is the outcome, influenced by, for example, design features. Adler and Borys (1996) are, however, inadequate in their discussion regarding the meaning of design vs. perception. One has to look at much later works in order to find explicit theorizing of these, for the theory, very central concepts. For example, employees’ attitudes and perceptions of control must be differentiated from managerial intentions with a management control system, because the intention of a control system does not necessarily coincide with the employees’ interpretation of the same control (Tessier & Otley, 2012). In Tessier and Otley’s (2012) revised framework of Simons’ levers of control, where enabling and coercive control is included, perceptions are “external to the design” but the design influences how the control is perceived (p. 181). Tessier and Otley (2012) conclude that perception should not be equated with the notion of a control system’s quality (assessments of the control being good or bad), because perceptions can be influenced by many more factors than merely the control design, for example, the presentation of a control element. In sum, the view in this thesis is that perceptions and attitudes are distinguished from the idea and intention by which a control element is designed, and might be influenced by other control elements existing at the same time, or other factors external to the control design.

So, the theoretical model of enabling and coercive control is that perception is the dependent variable and design for use is the independent variable. Importantly, design for use is in the theory proposed to contain four features, each of which will be described in more depth in a subsequent section. However, first the outcome variable is theorized in more depth, as three potential outcomes: positive outcomes, negative outcomes, and attitudinal outcomes that are neither euphorically positive nor inconveniently impeding.

So, what theoretical meaning can be given to the outcome of enabling type of control? As stated above, the overall character of the outcome is perceptions and attitudes about control, but it is fruitful to be a little more precise regarding what this might be. The way Adler and Borys (1996) describe enabling control design is by suggesting that an enabling type of control allows employees to “master their tasks” (Adler & Borys, 1996, p. 62). Also, looking closer at the character of an enabling type of control and its
features, this is described as a means for usability to enhance the employees’ capabilities and leverage employee skills (Adler & Borys, 1996). As the outcome factor in this theory is attitudinal outcome or employee perception about the control, a concept close to hand for understanding the outcome variable is psychological empowerment¹.

3.6.1 Psychological empowerment
In fact, psychological empowerment has previously been associated with the enabling control concept. In Mahama and Cheng (2012), psychological empowerment is investigated as a direct and indirect outcome of enabling perceptions of costing systems (indirect through intensity of use). The results of the study show no direct impact of enabling perceptions of the control system on empowerment, although they could show significant results of the indirect relation between enabling perceptions, intensity of use, and empowerment. In other words, the merely perception of a control being enabling is not enough for psychological empowerment; it is influenced through use.

It has been stated that psychological empowerment is an intrinsic motivation and reaction to the work environment rather than a managerial practice or job characteristic (Kraimer, Seibert, & Liden, 1999). Therefore, together with Adler and Borys’ (1996) implicit association with enabling control and empowerment, there is support for using empowerment as a theoretical base argument for what the dependent variable (attitudinal outcome) could be.

Spreitzer (1996) constructs psychological empowerment as a multidimensional cognition that is viewed from the perspective of the individual. This cognition is defined by four dimensions: meaning, competence, self-determination, and impact.

Meaning refers to the meaning and value of the work or task, in relation to the employee’s own beliefs, ideals and standards (Spreitzer, 1995, 1996). A fit between the work role that is needed for the work task and the individual employee’s own values constitutes the cognition of ‘meaning’ in psychological empowerment (Spreitzer, Kizilos, & Nason, 1997).

¹ ‘Psychological empowerment’ is used, as this is the term used in the literature referred to here. This does not by necessity imply psychological tests to capture an individual’s psychological empowerment. An alternative term might have been ‘perceived empowerment’, to emphasize the individual’s perception of their own empowerment.
Competence refers to the individual’s belief in their own skills and capability to perform the work with sufficient skills (Spreitzer, 1995; Spreitzer et al., 1997).

Self-determination refers to the sense of, or belief in, having autonomy in how to perform the work (Spreitzer et al., 1997). It also refers to the individual’s belief in having choice in initiating and regulating action (Spreitzer, 1995).

Impact refers to the degree to which an employee can influence the outcomes of the work, such as strategic, administrative, and operational (Spreitzer, 1995).

These four dimensions are the very essence of empowerment rather than outcomes of empowerment (Spreitzer et al., 1997). What is more, they are additive, meaning that a lack of one dimension does not eliminate the feeling of empowerment, but may deflate the degree to which an individual perceives themself as empowered (Spreitzer, 1995).

3.6.2 Constraint
At the other end of an attitudinal continuum are arguably perceptions of the control in a constraining sense. Hence, the opposite of psychological empowerment could be perception of constraint. Constraint is then not a fit between the work role and the employee’s values, the employee does not perceive that they have the skills and capability to perform the work, the employee does not perceive that they have autonomy in their work and actions, or the employee cannot influence the outcome of their work. In other words, the work environment is deskilling, impeding for the individual autonomy, and rely on superior actors for decisions.

When an employee perceives themself as constrained, this means, in contrast to perceiving oneself as empowered, that the employee in a negative sense considers themself as deskilled, limited, and even dehumanized. Constraint refers to the limited possibility for the individual employees to influence their work, take decisions, and deal with problems or contingent circumstances.

3.6.3 Zone of indifference
This treatment of the variable as a dichotomy (outcome of control as either empowering or constraining) is, however, problematic. If employees, on the one hand, can regard themselves as empowered, and, on the other hand, regard themselves as constrained, surely there must be perceptions that lie between these ‘extremes’. In other words, it is possible to believe that there
are perceptions about work that entail neither empowerment nor constraint; perceptions that are more in the nature of accepting the control system, but do not necessarily mean that the system is empowering the employees. Individuals may acquiesce\(^2\) to control with no, or compound, perceptions about the control imposed on them.

The theory of enabling and coercive control provides some foundations for addressing this theoretically. From Adler and Borys (1996), the two opposites of enabling and coercive control are proposed to be viewed as a continuous dimension, with empowering perceptions associated with enabling control design, and constraining perceptions associated with coercive control design. The dichotomizing of the dimension is merely a simplification, just as high and low degree of formalization is a simplification of the continuous variable ‘degree’ (Adler & Borys, 1996). Based on this, Adler and Borys (1996) propose that the space between enabling and coercive types of formalization fits the concept of “zone of indifference” (Barnard, 1968). Adler and Borys (1996) says:

Between coercion and enablement lie those types of formalization that fit Barnard’s (1938) notion of a “zone of indifference,” in which formalizations arouse neither positive nor negative responses. (p. 78)

The argument is that, in this zone, employees do not perceive the control as either positive or negative, although Adler and Borys (1996) leave this without further developing the notion.

The concept ‘zone of indifference’ refers to Chester Barnard’s (1968) idea that, within all individuals, there exists this ‘zone’ where authority, and arguably also control, is accepted without questioning. The argument is that, if all commands for action were arranged based on level of acceptability, there would be one group of commands which is unacceptable for those given commands and therefore not obeyed, another group of commands would be either barely acceptable or barely unacceptable, and a third group which is in the zone of indifference: commands are unquestionably accepted (Barnard, 1968).

In terms of Adler and Borys’ (1996) concepts, in this zone there are neither positive perceptions about control nor negative perceptions. The control is accepted, and also unquestionably accepted, meaning that it has such

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\(^2\) In Oxford English Dictionary, ‘acquiescence’ is defined as passive or reluctant acceptance and compliance with something (“Acquiescence,” 2018)
legitimacy in terms of its authority that it as such is not disputed. Furthermore, the zone of indifference gains stability by the personal interests that individuals in the organization have in making the organization efficient. Thus, the assumption is that efficiency is affected by compliance with orders and when these orders fall into the category of an individual’s zone of indifference, the person with an interest in making the organization efficient (for example because it provide the individual with a salary) will also have a personal interest in upholding the authority of the order and therefore comply (Barnard, 1968).

It is of significance to emphasize the difference between the zone of indifference where employees unquestionably accept the control, and enabling control where the control is being perceived to support and be useful for the employees. In the zone of indifference, the acceptance of control lies in the acceptance of the authority from which the control is being imposed. The employees are according to this thinking rather indifferent to the control as such, i.e. whether the control prescribes A, B or C (Barnard, 1968).

Enabling control, on the other hand, is not only about accepting control, but also about the control system facilitating employees’ work and their feeling about the control supporting them. Accordingly, there must be some acceptance of authority also in enabling control; without acceptance it would seem difficult to perceive it as enabling. However, the concept of enabling control prescribes which control is imposed and how it is designed; the control in itself must be of the enabling type in order to evoke feelings of enablement.

The suggestion by Adler and Borys (1996) of understanding the span between ‘extreme’ coercive control and ‘extreme’ enabling control as a zone of indifference has not been taken on for investigation in previous research in the management control literature on enabling control. However, this, I argue, is an important point in terms of the character of the enabling-coercive dimension, and thereby also of understanding more complex empirical settings. Given the zone of indifference as being the space between enabling and coercive control in a continuous dimension, the concept is here suggested to play a role in explaining attitudes toward control, just as enabling and coercive types of control is thought to (Adler & Borys, 1996). It could even be questioned whether most control is actually perceived with unquestionable acceptance or acquiescence rather than either empowering or constraining.
What must be explicited is the distinction between control and formalization design, and the zone of indifference, which have been ignored in Adler and Borys (1996) and subsequent research. These are, of course, closely linked, as Adler and Borys (1996) try to understand attitudinal outcomes with control design, but it is important to note that the zone of indifference “exists […] in each individual” (Barnard, 1968, p. 167) and is, therefore, part of the attitudinal outcome variable rather than a control design type. This is thus proposed to be illustrated as two continuous variables rather than one, (Figure 2). In the one, the type of formalization as proposed by Adler and Borys (1996) ranges between enabling to coercive and is thus control design. In the other, the attitudinal outcome of control, ranges between positive to negative.

![Figure 2. Conceptual development of zone of indifference](image)

One could indeed ask why this matters. Present research on enabling and coercive control is not clear about this relation and consequently enabling control is assumed to be matched with positive attitudinal outcomes and coercive control with negative attitudes. Looking at the previous settings where enabling and coercive control have been studied (e.g. manufacturing, product development departments), it is rather logical that enabling control (higher level of discretion and transparency) will be viewed as positive for the employees. But, could there be settings where this match cannot be assumed? As I have argued in this thesis, there are organizations, for example banks, which have a high external demand on control and the business is
very much dependent on control and maintaining legitimacy. Although research on enabling and coercive control is limited in such a context, it is possible to assume that, in contexts where control is part of the everyday work, perceptions of control and attitudinal outcomes can differ from the logical match between enabling control and positive perceptions.

For this reason, if we separate the two dimensions as I propose above, the continuum of both dimensions allows more combinations of design-attitudinal outcome. For example, Adler and Borys’ (1996) initial theory suggested that enabling design meant that attitudinal outcomes are positive, and vice versa for coercive design. However, differentiating between the two dimensions also opens up for the dual role of enabling and coercive control (that is, they are both beneficial to the organization), where coercive design can be perceived as positive for the employees. And importantly, because the dimensions are continua, any combination of them is possible. This matters, because in some organizations coercive control (i.e. not possessing enabling features) might have a dual role function (see Tessier & Otley, 2012) which does not prescribe negative assessments of that control. These situations can only be explained if we distinguish between design and attitudinal outcome. Additionally, I argue that zone of indifference as part of the theory can be further understood and used as an analytical concept by explicitly differentiating between the dimensions.

These accounts of the fundamental aspect of the theory, and elaborations of the same where I have found weaknesses or unclearness, constitute the research model from which this thesis takes as its basis. In Figure 3, this model is illustrated, showing the design for use variable having two types of control (enabling and coercive), affecting the attitudinal outcome which in this thesis can be positive, expressed as psychological empowerment, acquiescence, expressed as a zone of indifference, and negative, expressed as constraint.
Next, from a departure in the conceptual model presented above the theoretical elaboration continues by an in-depth description and discussion about the four features of enabling control design.

### 3.7 Four features of enabling control

Back to the foundation in the theory of enabling and coercive control; the design character that is proposed to lead to positive or negative attitudes (Adler & Borys, 1996; Ahrens & Chapman, 2004). It would be fruitful to elaborate on the meaning of ‘enabling’ and ‘coercive’ as theoretical concepts. This has in the framework on enabling and coercive control been overlooked and the concepts have been used without really addressing their theoretical substance or the theoretical meaning and distinction between the four features that characterize enabling control.

The four features which Adler & Borys (1996) ascribe to enabling formalization are repair, flexibility, internal transparency, and global transparency. In Adler & Borys’ (1996) account of the features, they are rather broad and general in their descriptions. These features have in management control research been transmitted into attributing enabling management control. A puzzling issue related to the features of enabling control which has gained some but insufficient attention is the question of how the four features proposed by Adler and Borys (1996) relate to each other. This question might contain several sub-questions regarding the features’ properties, importance, and interrelation. In the pioneering theory developed by Adler and Borys (1996), the features are presented as seemingly standalones. More specifically, they are not presented as being in any further way interrelated.
either in the description or in the discussion about them. This may be because Adler and Borys (1996) discuss enabling formalization at an organizational level rather than a system level. However, researchers following Adler and Borys (1996) have to some extent elaborated on the interrelation of the four features. Before outlining the possible interrelationship of features that have more or less explicitly been proposed in previous research some deeper delving into the features definitions and characteristics is fruitful. In previous literature, the definitions of the features are often vague and/or unelaborated, either generic or very simplified to the context in which they are studied. Below is an account of the features as they have been defined and operationalized in previous research.

3.7.1 Repair
Repair in the context of management control can be translated into standard costs, piece rated, etc., being broken down and visible for the workers, enabling them to more easily solve problems or repair processes which do not work efficiently (Ahrens & Chapman, 2004). In case of a problem or breakdown, workers have permission to, for example, modify the definitions and measurement of performance indicators (Jordan & Messner, 2012). Breakdowns and deviations from prescribed processes are seen as initiatives to improve the processes, or as indicators that more training of the employees is needed instead of letting problems interrupt the work and cause delays. Information systems are designed so that user-driven changes to the format and measurements of the reports are possible, “repairing” the information system so that it can guide the appropriate course of action in unforeseen situations (Chapman & Kihn, 2009). In contrast, a coercive approach to formalization will separate routine tasks from improvement tasks and assign them to different groups of employees. Thus, the mandate to improve is given to specialists, not to the operational employees. Deviations are seen with suspect but there is no room for employees to improve or modify the working processes by themselves.

With repair, formal structures, rules and processes that do not fit the task at hand may be bent, ignored or added in order to improve the “product” of the task (Jørgensen & Messner, 2009). Hence, repair is linked to customization. In the restaurant study by Ahrens and Chapman (2004), repair was found to be a key concept in management control. Standardized processes were allowed to deviate from the rules if it was to meet the overriding concern of customer satisfaction, for example time standards for serving the
customers. In this case, the product was seen as too complex to be controlled in a command-and-control way, whereupon repair was necessary for handling specific customer situations.

Another finding in Ahrens and Chapman’s (2004) study related to repair is the way the restaurant managers handled restaurant costs. Labor (a major cost for the restaurant) was planned on a session-by-session basis, having a large number of part-time staff available when needed at short notice. In this way, the restaurant managers could monitor labor costs, enabling them to better meet their financial targets.

A system designed with the feature repair will provide the employees with the capability to improve or modify the system when it breaks down, and to react to unforeseen situations and circumstances without further interruptions (Chapman & Kihn, 2009; Jørgensen & Messner, 2009). System breakdown is the case of a control system, a performance measurement system, a routine, and the like, not working or being workable according to plan. In Adler and Borys’ (1996) development of the theory, drawing on technology design, repair can mean that a copier machine that breaks down can be repaired by the users without calling on technical support. The reason is that the copier is designed with the feature repair (Adler & Borys, 1996), meaning that the users have access and capability to repair the machine. In a management control system, repair can be about updating standards or accounting information in order to make it useful for the employees. Un-updated information and procedures could lead to unnecessary work and undesirable behavior in terms of workarounds, etc., but, if the standards and accounting information can be repaired by the employees, the employees will find the system enabling them in their work.

In these examples, repair is associated with setting a course of action and acting according to this. Verbs associated with repair in previous research is to mend and improve without superior involvement (Wouters & Roijmans, 2011; Wouters & Wilderom, 2008), indicating that repair is (at least in significant aspects) about the employees’ discretion and action. A recurrent way of defining and using the feature repair in the literature is by associating it with the control’s design and use, where the feature is applied to the system design and use characteristics. Similarly, but not equally, repair could possibly be about social procedures in repairing the system by social interaction about the control system. This is suggested by Jordan and Messner (2012) when referring repair to “on-going discussions” (p. 547) about the control system. The conceptual difference between these two ways of understanding repair is, on the one hand, the employees’ ability to modify
and improve the system per se, i.e. measurements, targets, shortcut routines, etc., and, on the other hand, repair by actors involving a social interaction and discussion about the system (e.g. superior and subordinate, superiors, subordinates). Repair is, in this case, developing an understanding and common meaning of the system and the faults that need to be repaired. This way of understanding repair as also being a social process has, however, gained little attention in previous literature.

3.7.2 Flexibility
When a control system can be used to support changing circumstances, and performance information for routines and reporting can be customized, the management control system is flexible (Ahrens & Chapman, 2004). Users are allowed to depart from procedures in their work if the given situation requires it (Jørgensen & Messner, 2009), and gives organizational members discretion how to use the procedure (Ahrens & Chapman, 2004). Flexibility is concerned with the possibility for employees to adapt routines and procedures to local contingencies. Flexibility can be central to process change: deviations from procedures are seen as not only risks but learning opportunities and, when flexibility is allowed, improvements can be found. In contrast, coercive formalization does not rely on employees’ knowledge and skills but define in detail steps to be followed. To make changes in the routines for a specific project (e.g. skip unnecessary steps), approval must be received from management. The employees’ role is just to implement prescribed procedures (Adler & Borys, 1996). Flexibility is, for example, determined by how detailed the user manual from top management is and how strictly top management regards compliance with use directions (Jørgensen & Messner, 2009). Flexibility in management control has also been suggested to help users handle the incompleteness which (may) come with accounting numbers. By being able and permitted to deal with the numbers in a flexible way, users seek information elsewhere for their actions and decisions (Jordan & Messner, 2012). Flexibility in an output control system permits users to add indicators or even reduce the importance of some in order to bridge problems with representational qualities of indicators. Thus, flexibility refers to what importance is given to the control systems’ focal indicators and the importance given to other concerns (Jordan & Messner, 2012).

In an example of a copier machine possessing enabling features in Adler and Borys (1996), the distinction between repair and flexibility is rather clear; repair means that the user can repair the machine when it breaks...
down or there is a paper jam because the user has knowledge of how to do it, or has a manual for help. An undo command on the machine is also an expression of the feature repair (Adler & Borys, 1996). Flexibility, on the other hand, in the case of a machine means that the machine is designed in such a way that the user can add the functionality that is required for the specific situation and work demands. Options such as double-sided, number of copies, orientation, etc. could be functions of a flexible design. Furthermore, the users can choose whether to make decisions themselves or to hand this over to the machine (for example choice of paper type, format, etc.) (Adler & Borys, 1996).

However, in the case of management control the differences between the features repair and flexibility are not as easily understood. Both features are about the user’s ability to modify and improve the controls in order to enable them in their work. Flexibility, in contrast to repair, is concerned with learning, and besides modify and improve, explore is also a key verb. Flexibility in a management control system allows the users to explore deviations in order to learn from them rather than only view them as errors and flaws. The idea is that it is not only superiors and supervisors who can authorize a deviation, employees can, by means of a flexible control system, adjust and improve processes with their knowledge according to deviations (Adler & Borys, 1996). Flexibility in a management control system is also about adding information or adding additional performance measurement systems, or even reducing attention to a focal measurement (Jordan & Messner, 2012). Whereas repair is about improvement of the control system and reacting to unforeseen situations, flexibility is about the user’s ability to use the control system by adding information or even choosing not to use the system when found appropriate. Jordan and Messner (2012) promote flexibility to be the key characteristic for enabling control when a control system is incomplete. In contrast, Chapman and Kihn (2009) found weak association between flexibility and information system integration and perceived business success, arguing flexibility is just one feature of a set of features of enabling control (with seemingly low statistical association). This suggests that there are some inconsistent results on the role of flexibility for enabling control.

As a result of flexibility, the employees’ decisions and actions are not only guided by prescribed guidelines, routines or key numbers. Other sources of knowledge, specific situations, and local contingencies will also be important to “complete” the control system (Jordan & Messner, 2012). This,
similar to repair, suggests that flexibility is about interacting with and improving the system so that it will be workable for the employees (Wouters & Wilderom, 2008). In other words, flexibility is, like the feature repair, about “discretion over the use” (Ahrens & Chapman, 2004, p. 280).

3.7.3 Internal transparency

Internal or “local” transparency (Ahrens & Chapman, 2004; Free, 2007; Wouters & Wilderom, 2008) is about the employees’ understanding of the control system. Transparency is the visibility and intelligibility of routines and procedures that provide employees with understanding of the work processes (Englund & Gerdin, 2014). Internal transparency provides the employees with understanding of a certain process, procedure or routine, and the rationale for the rules. In an enabling approach to formalization, key components of the procedures are explained and employees can compare their performance to known standards. In other words, internal transparency provides the employees with both understanding of the logic behind the process and necessary information on the status of the process. Processes of internal transparency can, for example, be budgeting, which can be integrated in the planning of operations, thereby providing transparency for the employees about how operations are related to financials. In a budget, internal transparency would be the employees’ understanding of the numbers and items in the budget and in what way these could be affected by their work. Coercive formalization, on the other hand, provides only information when processes do not work as planned, and then the information is not directed for the employees to understand. Coercive formalization is not to guide employees’ effort, but rather to help superiors sanction punishment for deviations.

In the restaurant in Ahrens and Chapman’s (2004) study, a couple of management control tools were found to increase the employees’ internal transparency. The restaurant manager used something called “starter bingo”, aiming to promote the waiters to sell more starters giving a higher “starter penetration”. When a waiter managed to sell a certain number of starters (and win the “bingo”), they were rewarded with a bottle of wine (Ahrens & Chapman, 2004). With information about which starters have high margins or are important for increasing the revenues, this is argued to be a management control tool enhancing internal transparency.

Another tool that the restaurant manager used, and which was identified as enhancing internal transparency, was the use of a target blackboard. At
In addition, internal transparency in performance indicators means that definitions and measurements of the indicators are known by the workers (Jordan & Messner, 2012). It is referred to the employees’ understanding of the logic behind the system, its internal construction, functioning and definition (Englund & Gerdin, 2014). This means that the employees understand what is measured, how it is measured, how the targets are set, why routines are to be performed, etc.

An interesting note is that Jørgensen and Messner (2009) found that internal transparency does not (necessarily) come from the system itself, but can mean that understanding is generated by the local environment. As they put it, “transparency [...] was developed locally” (p. 112), indicating that transparency is not a matter of top management “giving” understanding through a control system. Rather, the local environment in which the control system is placed can likewise be a source for understanding the control system. This broadens the scope of internal transparency, opening up the possibility that contextual knowledge and even knowledge produced between users (employees) can enhance internal transparency. Thus, internal transparency is not in the system but is more about an understanding of the system; an understanding which might come from the system but also from other sources. Wouters and Wilderom (2008) add that internal transparency is also about information about the system’s status, implying a process perspective where internal transparency is not only a static, a one-time information feature, but can be seen as a process of updated information about the system. Related to this process take on internal transparency is Englund and Gerdin’s (2014) note on internal transparency being fluid and even perceived by the employees to be able to vanish. Thus, transparency is not knowledge accumulation but might be influenced by processes around, affecting the way employees understand the control system.

Englund and Gerdin (2014) conclude that internal transparency can be both transparency in operations and in the control system. Transparency in operations means that the control system provides understanding of the operations it controls, for example, long-range planning can provide visibility of processes before and after a certain operation, or a performance meas-

the end of a budget period, a board with cumulative sale numbers was displayed, frequently updating the numbers. This gave the waiters current insight into how far from targets they (as collective) was and how much they needed to sell in order to reach them. This gave the waiters an understanding of the implications of their work (i.e. sales) (Ahrens & Chapman, 2004).
urement system can provide feedback on performances (Wouters & Wilderom, 2008). Transparency in the control system means visibility in the control system as such, for example, that actors whose performance is measured understand the logic behind the measurement (what is measured, what affects the outcome, etc.), or understand the logic behind a routine which must be followed.

### 3.7.4 Global transparency

If internal transparency relates to an understanding of the control systems’ internal functioning, definition and logic, global transparency is about control in a broader sense. Global transparency, as opposed to internal transparency, is wider and includes the overall context in which employees are performing their work (Englund & Gerdin, 2014; Free, 2007). Global transparency provides employees with an understanding of how their work “fits into the whole”, and there is information beyond the specific domain in which the employee works (Wouters & Wilderom, 2008). Global transparency is related to understanding “the bigger picture”, for example understanding the relation between the control system (e.g. performance indicators) and the overall vision and strategy of the firm (Jordan & Messner, 2012). Information on the status of broader processes is meant to encourage optimization of their own work and suggestions for improvement in a broader view. Global transparency has also been identified as managers having concern not just for other departments (e.g. accounting department), but for other branches and other businesses related to their own business. Experience of and information about operations and financials are shared between branches, and external actors are useful for putting the branch’s work in context and keeping an eye on possible future trends (Ahrens & Chapman, 2004).

A coercive approach to formalization does not provide the employees with this information and understanding of a wider perspective. Employees are not encouraged to move beyond their immediate field for suggestions. In a coercive approach, global transparency is asymmetrical between hierarchical levels and seen as a risk; it might encourage the employees to move outside their assigned realm, which is not desirable in a coercive approach.

In the restaurant chain in Ahrens and Chapman’s (2004) study, top management used workshops to clarify how processes at the restaurants were related to the chain as a whole. It is important in this way to emphasize how the management controls in the restaurants had an impact on divisional income (Ahrens & Chapman, 2004). Another example of global transparency
in management control is budgets. When budgets are communicated and available to other departments than those closest affected, then budgets serve the function of enhancing global transparency (Ahrens & Chapman, 2004). The “global” part in this transparency lies in the visibility of how budgeted financials in one department relate to other departments’ budgeted financials (Jordan & Messner, 2012).

Despite a rather shared view in the literature on the definition of global transparency, this definition is drawn with a broad brush. A shared definition seems to be that global transparency is wider than internal transparency; it includes understanding beyond specific domains, but what does that really mean? Empirical studies where global transparency is investigated or discussed seem to view global transparency as beyond the specific control system but do not go further than the organizational boarders. Thus, global transparency relates to the domain between the specific control and the organization border. This can be in terms of hieratical structure, such as strategy, visions, and head office agenda (Ahrens & Chapman, 2004); global transparency can mean that employees have knowledge about how their work and the controls which they meet are linked to the organization’s overall strategy and visions. This is one meaning of “bigger picture” or “fits into the whole”. Furthermore, global transparency can also be understood in terms of organizational structure. This means employees can relate their work to other departments, units, or other tasks within the organization. Global transparency can, for example, mean that, in a restaurant, the restaurant manager understands how their end-of-week paperwork has consequences for the financial department’s work load and how this in turn affect their own division. Concerns for other units can also be global transparency when different units communicate about their work, future and context (Ahrens & Chapman, 2004). Moreover, in a case study of a new product development process, global transparency was the communication between teams about needs and the future (Jørgensen & Messner, 2009).

Previous research has stopped at the organization boarder when operationalizing global transparency. However, Adler and Borys (1996) do not actually conceptualize global transparency as being limited to the organization. In fact, there seems from their point of view not to be any limitation on how wide the global transparency of a system can be. Thus, global transparency could be the employees’ understanding of the control tool or system in its wider extern-organizational context, rather than only intra-organizational.
In addition to understanding, global transparency is about relating a control system to the larger picture (Jordan & Messner, 2012), which indicates that it is not only about passive knowledge or insight, but also about the employees being able through the system to more actively link their work and performance to a broader context. At the same time, similar to internal transparency, Jørgensen and Messner (2009) show in their study that global transparency can be achieved by “hands-on efforts” rather than through the formal system. Global transparency is in this sense as much an informal matter of being informed about the broader context and other departments as a feature of the control system. However, this is still a mental process of using the control system.

Just as flexibility and repair have many intersections, the distinction between internal and global transparency is not, although conceptually different, always crystal clear in empirical settings. What is the scope of the internal functioning of a control system? What is internal and what is external to the system? Furthermore, and as discussed above, what is the meaning of wider form of transparency? For example, if a performance measurement system is considered to possess the feature of internal transparency, this could include the fact that the employees understand the indicators by which their performance is evaluated. This understanding, in turn, might be about how the indicators are related to the organization’s strategy and head office agenda, suggesting instead global transparency. Another example is a budget. A budget is proposed to be a tool for enhancing global transparency in an organization’s processes by giving a picture of how different parts of the organization are linked together (Ahrens & Chapman, 2004). At the same time, this budget can be useful for enhancing internal transparency if the budget can give understanding to a performance indicator and/or objective by which the employees are evaluated, by showing the underlying logic of it in terms of financial implications, etc. The point here is that, although the theory presents four rather straightforward design features of enabling control, the empirical implications of these features are perhaps not as straightforward. A great contribution of previous research has been to develop the features in relation to the empirical settings in which these are supposed to exist (e.g. Ahrens & Chapman, 2004; Groen, van de Belt, et al., 2012; Jordan & Messner, 2012; Wouters & Wilderom, 2008).

Unlike flexibility and repair, global and internal transparency seems to be about the employees’ understanding and mental models over the control system rather than their discretion in the use of it. This conclusion leads to the features of enabling control as pairs with two rather different properties;
repair and flexibility are features which support the employees’ discretion and use of the control system, whereas internal and global transparency are the employees’ understanding and mental ‘maps’ (Englund & Gerdin, 2014) of their work, without necessarily supporting discretion regarding it.
Figure 4. Conceptual model of enabling control and attitudinal outcome
3.7.5 Four features of enabling control and psychological empowerment

This scrutiny of the features of enabling control leads to an advanced conceptual model (Figure 4). First, as concluded previously, the theory of enabling and coercive control suggests that design for use (enabling and coercive control) influence attitudinal outcomes of control. The relationships between the features of enabling control and the proposed outcome of psychological empowerment are elaborated in the following.

The features that imply discretion (repair and flexibility) can, for example, be associated with dimensions that have the character of being manifested in the individual’s possibility of being empowered (impact and competence). Repair is related to competence by allowing employees to address problems and breakdowns in their daily work (Chapman & Kihn, 2009). If employees are allowed, and even encouraged to solve problems or breakdowns in the existing system by themselves and with their own knowledge and skills, their perception of being competent will likely be strengthened. Of course, some actual competence is needed in order to be able to solve problems and breakdowns without superior interference. Because of the discretion built into repair, it is likely to lead to feelings of having competence and skills, and thus psychological empowerment.

To strengthen this argument that repair is related to competence, Adler and Borys (1996) describe repair:

Similarly, rather than allowing operating problems to interrupt the flow of work by forcing the user to consult a manual or a supervisor, more usable computer systems have built-in online “help” facilities. (p. 70)

What is it in this notion of repair that would make employees perceive that the control system is positive for their work, empowering them? I would argue that this quote relates to competence, as allowing the employees to solve interruptions and problems without consulting a superior will likely strengthen their feeling of being trusted as having the competence needed for such problem solving. However, repair does not necessarily mean that the employee can control or influence when or how a break down occurs or that they can influence in what way to solve the problem.

Flexibility ought to be associated with impact. Impact means that employees can influence the outcome of the work (Spreitzer, 1995), and thus it is manifested in the control structures and therefore similar to flexibility.
entail discretion. Flexibility means that employees can depart from procedures when it is considered necessary and act on local contingencies. This will arguably lead to employees perceiving that they can influence the work and have considerable impact on the outcomes. Flexibility involves a view that deviations are opportunities for development and learning, and having such approach will also likely lead to employees’ perception that they have an impact on the outcomes.

On the other hand, features implying understanding of the control (internal and global transparency) are more closely associated with dimensions that entail intrinsic character (self-determination and meaning). Internal transparency can be associated with self-determination. Self-determination refers to the individual’s feeling of having autonomy in the work processes (Spreitzer, 1995). Internal transparency can be linked to this dimension by the visibility of the work processes, or control processes, which can be argued to be a prerequisite for such feelings of autonomy. Although internal transparency is concerned with the employees’ understanding of their work and not whether they perceive themselves to have the possibility to act with autonomy, internal transparency may increase the feelings of being able to initiate and control their work. In other words, in order to see how one can influence one’s work and feel empowered in the work processes and outcomes, the processes need to be visible and understandable for the employee: if a control system is like a black box, there is little possibility for the employees to feel that they can influence the outcomes.

Global transparency is likely related to meaning. Meaning refers to the fit between the employees’ own values and standards and the work that is carried out. An understanding of the work in a bigger picture is arguably a prerequisite for the employee to judge whether the work and work role is in line with the individual employee’s values, beliefs, and standards.

3.7.6 Interrelation of the features of enabling control
The four features of enabling control are arguably interrelated with each other. In the initial work of Adler and Borys (1996), the features were not presented as interrelated, whereas later work in the management control literature has in different instances proposed different relations between the features. Englund and Gerdin (2014) suggest that the four features “form and feed each other in a cyclical manner” (p. 25). More specifically, repair and flexibility are found to drive the emergence (and are also suggested to drive the disappearance) of internal and global transparency, while internal and global transparency can also be understood as important for repair and
a flexible use of a performance measurement system (Englund & Gerdin, 2014). Other scholars suggest relationships of a similar but not equal type. It is often argued that the interrelation goes one way: some, or a pair, of features affecting another/the other pair. One such relation is in line with Englund and Gerdin (2014), namely that the feature of repair presumes internal transparency. In order to support the repair feature in a control system the employees must analyze the processes and thereof need to have transparency, internal transparency (Ahrens & Chapman, 2004). The argument is that, in order to understand what to repair in the control system, the employees need to understand the underlying logics of the system. This is a rather logical argument, that in order to fix a problem one must first recognize and analyze the problem.

In line with this, Jordan and Messner (2012) conclude that transparency can result in enabling control in two ways. First, as suggested by Adler and Borys (1996), transparency can enable the employees by helping them to understand the control system. Secondly, in a two-step process, transparency can lead to enabling control. If the control system is transparent (in terms of internal transparency), the incompleteness of the system could become apparent to the employees, possibly leading to feelings of coerciveness. But when this incompleteness can be handled in a repairable way, the control system is arguably enabling for the employees (Jordan & Messner, 2012). So, transparency can directly and in itself enhance an enabling control system, but could also make incompleteness in the system visible, leading to negative attitudes, which with the feature repair can be “fixed” and is thereby enabling.

In a statistical investigation of the features, Chapman and Kihn (2009) found no significant correlation between flexibility and the other three features, indicating that flexibility must be viewed as one of a set of four features of enabling control (Chapman & Kihn, 2009). However, other researchers have found that flexibility is, similar to repair, dependent upon transparency. In order to handle a rule or a control system flexibly the employees must know what is important and what is not, and how their work relates to their objectives. By providing the employees with this transparency and flexibility the latter will be able to improve work processes (Jørgensen & Messner, 2009).

Also, on a more intuitive note, one could argue for transparency being a presumption for enabling control. If individuals have freedom of action, that is being able to monitor the tasks they are handed, it is probable that they will feel enabled in their work. However, as previous research shows,
these individuals must have an understanding of how to act, and how to improve and repair the task so it does not end up worse than before. Also, even in a situation where there is no discretion, that is there are tasks and controls the individual cannot repair or be flexible about, it could be that the very knowledge and understanding of why these control systems, rules or routines are in place gives the individuals a feeling of consent and they are helped by them. Of course, one could argue the other way around, that even though the individuals understand the control system, the absence of repair and flexibility means that they cannot act and make changes according to prevailing circumstances, which will make them feel coerced. Together with the research findings that repair and flexibility drive transparency, the interrelation is open to further research.

In sum, enabling control consists of four design features, repair, flexibility, internal transparency and global transparency (Adler & Borys, 1996; Ahrens & Chapman, 2004). Design is defined in this thesis as design for use, meaning design from the point of view of the users of the processes, control systems, and work flow, not solely top management’s intended design.

I have also in this section addressed the outcome factor in the theory, attitudinal outcome, and proposed to theoretically conceptualize this as a continuous variable from psychological empowerment to constraint, with a zone of indifference in-between.

In regard to the features of enabling control, the theorizing of the features has in previous research been scant. One way of contributing to a theoretical development of the features is by explicitly relating them to the outcome dimension. I have in this section proposed such potential linkages by relating the features of enabling control design to four dimensions of psychological empowerment. These linkages between the design and attitudinal outcome also serve to make clear theoretical differences between the features, such as between repair and flexibility, and internal transparency and global transparency.

Notably, global transparency has, despite the application in previous research, no theoretical limit. The ‘wider’ understanding that global transparency provides is not in Adler and Borys (1996) limited to either the unit, department, or the organization. However, previous research has stopped at the organizational border when using global transparency, which provides an unnecessary limitation to the explanatory use of the feature. Moreover, internal transparency can be the employees’ understanding both of the
operations for which the control system is implemented to control, and for the control system as such (Englund & Gerdin, 2014).

### 3.8 Coercive type of management control

At the other end of the type of control continuum is coercive control. Whereas enabling control has been of most interest in previous research, the conceptualization of coercive control is less elaborated. Although the conceptualization of coercive control is scant, some things can be concluded from previous research.

Coercive control is based on the rationale that the user, the employee, is a source of problems and errors whose impact and control must be limited (Adler & Borys, 1996). Coercive control is not given specific features in the same manner as enabling control is assigned flexibility, repair and internal and global transparency. Instead, the conclusion that can be made from previous research is that coercive control is the converse of enabling control. In other words, the lack of features of enabling control indicates coercive control. For example, flexibility is a feature of enabling control. The lack of discretion in being flexible, to adapt to local contingencies, is the definition of coercive control. This also holds true for the other features; lack of understanding the control components (measurements, processes, etc.) or the operations (internal transparency) indicate coercive control, lack of understanding of how one’s work fits into and contributes to the larger organizational context (global transparency) indicates coercive control, and lack of possibility to modify and react when the control system leads to stoppages in the work process (repair) indicate coercive control.

This does not seem to be an unreasonable conclusion. In fact, Adler and Borys (1996) call the features “generic features that distinguish deskilling from usability approaches” (p. 70), indicating that the same features apply for defining coercive control but in a ‘lack of’ reasoning.

Coercive control could be given specific features, but these would probably be the antithesis of enabling control. Accordingly, in this thesis, coercive control is treated in a similar way to that in which previous research has treated coercive control: as the antithesis of enabling control, without specific features.

However, this does not mean that our understanding of coercive control needs to stop there. Empirically, we can understand coercive control further. For example, coercive control gives the employees limited options for action (Ahrens & Chapman, 2004) and limit the employees’ work autonomy.
thermore, coercive control is associated with control being designed by external actors (i.e. ‘experts’) (Jørgensen & Messner, 2009) and routines and processes are preset, with specification of rules and expectations (Free, 2007). This implies that coercive control lays considerable constraints on the employees’ discretion, but also that the understanding for their work and context is limited.

Furthermore, whereas enabling control leads to job satisfaction, Adler and Borys (1996) refer to coercive control as leading to job stress, negatively associated with job satisfaction and a substitute for employee work commitment.

To conclude, enabling and coercive control are two types of control approaches, with contrasting rationales and logics, leading to different attitudinal outcomes for the employees. These two types of control have in previous research been found to exist side by side, coexist, indicating another dimension of complexity in the framework of enabling and coercive control.

Next, coexistence of enabling and coercive control is outlined, and the concept of coexistence is discussed.

### 3.9 Coexistence of enabling and coercive control

As argued in Chapter One, banking is a context in which coexisting control approaches are possible because of the regulative and intra-organizational control pressure imposed on banks. However, as I have shown in previous chapter, the research on coexistence of enabling and coercive control is limited.

Coexistence of control risks creating tensions when different interest or logics underlying different controls are in conflict. Hence, it is of importance for organizations to handle such coexistence for creating positive tensions rather than negative.

A study addressing the coexistence of controls and how organizations may handle potential tensions has been conducted by Tillema and van der Steen (2015). They conclude in a case study on coexistence of lean production control and what they call tradition control concepts that tensions arising from coexisting management control systems can be coped with in a variety of ways: colonizing, decoupling, compromising, implementing incrementally, and obscuring.

Colonizing refers to influencing others as to which control to prioritize. Although multiple control systems can exist simultaneously, these can be given more or less priority in the eyes of the employee, and in some situations, it may even be necessary to prioritize between different interests that
the controls represent. Decoupling refers to separating the purposes of the controls. If the different controls have different purposes, then coexistence and tension between the controls may be perceived as more legitimate and/or understandable. Compromising refers to the use of a mix of different controls in an attempt to compromise between different interests and control approaches. Implementing incrementally refers to a step-by-step implementation of control. Lastly, obscuring refers to keeping some control structures in the dark for individuals who may object to the coexistence.

Coexistence of enabling and coercive control means that control systems designed with the features of enabling control (repair, flexibility, internal and global transparency) exist in an organization at the same time as control systems designed as coercive control (Ahrens & Chapman, 2004). Importantly, the meaning of the concept coexistence must be explored. For this, some prior studies in the enabling and coercive control literature represent two fundamentally different ways in which coexistence may be conceptualized: as control systems working in parallel, or as one and the same system perceived in different ways by the same individual or between groups of individuals. These conceptualizations do not exclude each other, but represent different levels of coexistence, a system level and an individual level.

### 3.9.1 Simultaneous systems

A meaning perhaps closest at hand when it comes to coexistence is that two or more control systems are implemented and control the work/individual simultaneously. This could, for example, be if there is a performance measurement system at the same time as some kind of value program exists which is thought to influence the employees’ actions. Malmi and Brown’s (2008) management control package is an example where the assumption is that different control elements work simultaneously and each element is part of the organization’s package of management control.

Ahrens & Chapman (2004) conclude, in their study of management control in a restaurant chain, that enabling and coercive control could be found to exist “side by side”. Arguably, the coexistence they found in the restaurant was simultaneous systems.

Another meaning of coexistence which is also control systems working simultaneously is the intention of finding a good tradeoff between control that constrains and control that enables the employees. Negative tensions from coexistence of enabling and coercive control may be expressed as a conflict between the different underlying logics. For example, work processes based on mainly enabling control and single coercive controls may
create a negative tension where the coercive control is perceived as producing stoppages in the otherwise more flexible process. Such tensions may lead to negative assessments of the overall control by the employees.

On the other hand, coexistence could also mean enabling and coercive management control systems coexisting to create a dynamic tension which is positive for the organization, as it gives advantages in relations to competitors by providing the organization with unique capabilities (Mundy, 2010). Positive tension created by coexisting enabling and coercive control could be expressed as coercive control supporting, or working as a frame of reference for the enabling control, or that some work processes are supported by an approach with less flexibility and more predictability, whereas others necessitate more discretion.

Henri (2006) concludes that balancing different controls is important for the effect performance measurement systems has on business capabilities. Balancing two, potentially contradictory, control approaches such as enabling and coercive control is to create a dynamic tension which could serve as an organizational capability (Mundy, 2010). Thus, balance is the intention of having simultaneous systems.

3.9.2 Simultaneous cognition
Another conceptualization of coexistence which could be used to make sense of coexisting enabling and coercive types of control is slightly different from the above. However, in terms of attitudinal outcomes such as positive and negative, this coexistence is no more unexpected than the fact that there are coexisting systems. Liew (2012) found that, while a control system enabled a certain group of employees, although promoting enabling features such as transparency, it was perceived as coercing another group. Another way that enabling and coercive control can exist is, therefore, if different individuals perceived the control differently, in other words if some employees perceive the control as enabling when other employees perceive it as coercive.

Would this even be possible within the framework of enabling and coercive control? Although this is not a common way to address the theory, I take note of Tessier and Otley (2012) who explicitly distinguish between managerial intension and employee perceptions, arguing that perceptions are influenced by much more than the control design and use. They take presentation of control as an example of influencing factors, but other things, such as previous experiences, informal organizational cultures, hier-
archival position, etc. could reasonably also influence employees’ perceptions. Given this, enabling and coercive control could coexist at the same time in different individuals’ cognition.

These two perspectives on coexistence constitute a proposed platform from which coexistence of enabling and coercive control may be studied. Simultaneous systems can work as complements, substitutes, or be quite separated, but work in parallel with each other. Balance, for example, is a control system complementing each other in order to create a positive outcome (e.g. performance). Simultaneous systems are concerned with different systems containing somewhat different characters or features. Simultaneous cognition is about the individual actor’s perception of the control as having a certain character. Thus, two individuals can arguably perceive the same control in different ways, not because there are substantial differences in design, but rather because there may be other things influencing the individual’s perception. The two meanings of coexistence provide a broad and informative platform for studying coexisting control systems, as they capture different dimensions of coexistence as both design and perception.

3.10 Summary

The theory of enabling and coercive control provides concepts and relationships between concepts that serve to explain positive and negative attitudinal outcomes of control. In this chapter, the theory has been scrutinized and a conceptual model has been proposed in two steps (see Figure 3 and Figure 4).

In a first step, the design and outcome concepts have been elaborated into a clarification of design for use and of attitudinal outcome. It is proposed that positive and negative attitudinal outcomes could potentially be conceptualized as psychological empowerment and constraint. Further on this note, an overlooked aspect of the theory is the concept of ‘zone of indifference’, which refers to the space between positive and negative assessments of control. In this chapter, I have looked more closely at the meaning of the concept as well as developing an understanding of it in relation to enabling and coercive control. This has resulted in a view that design for use and attitudinal outcomes should explicitly be separated, and a zone of indifference is attributed to the attitudinal outcome dimension (see Figure 2).

The four features of enabling control suggested by Adler and Borys (1996) have in this chapter been examined in depth. A new categorization
of the features into discretion (flexibility and repair) and understanding (internal and global transparency is proposed), and also that these two categories are interrelated.

Another aspect of the framework that is of interest for this thesis is the potential coexistence of enabling and coercive control. In this chapter, two types of coexistence are proposed, based on previous research on coexistence of enabling and coercive control: as simultaneous systems or as simultaneous cognition.

Related to this, I follow Tessier and Otley’s (2012) line of argument that enabling and coercive control constitutes design attributes and can be used as dual roles (i.e. equally beneficial (or not) for the organization), whereas assessments of a control system being good or bad (positive or negative perceptions about a management control system) are not a design attribute, because they can be influenced by factors other than the control design per se. Thus, coexistence of enabling and coercive control design is not only possible, but also useful for the organization, as it constitutes dual roles, potentially complementing each other.
CHAPTER 4

4 Research design and methodological considerations

4.1 Point of departure

The foundation for this thesis is the theory of enabling and coercive control. Although, as argued in previous chapters, the empirical setting of this study is of the greatest importance, the core of the thesis is in how employees may have positive attitudes to formal control, or, on the other hand, how control may be perceived as negative.

In this chapter, I make an account of the methodological considerations concerning research design and the rationales behind the choices made. As this thesis takes a theoretical perspective as its starting point, I will first discuss the theory I have taken an interest in, the choice of that theory, and how the research questions have been carved out of previous research. Central concepts in this thesis are outlined, leading to the research model of this thesis. What is more, steps from theoretical concepts to operationalization of theory in order to enable an empirical study are presented, and strategies for presenting the data are described. Following this section, the research design in terms of a case study, choice of case, choice of method(s) for data collection, and analytical method is accounted for. The chapter ends with an account of the generalization of the study and how the trustworthiness of the thesis has been strengthened.

4.1.1 Theoretical perspective

The theoretical perspective in this thesis is the theory of enabling and coercive control. As my interest is in perceptions of control and this theory serves to explain positive and negative attitudes of control by design, this is considered to be a suitable theory for addressing the issue. In other words, how employees respond to and perceive control, and how control can be made positive for employees, is suggested to be explained by enabling and coercive control and therefore fits the subject of this thesis.

The article of Adler and Borys (1996) was the beginning of a stream of literature using the concepts of enabling and coercive control. So, how do I view this literature, and more specific the work of Adler and Borys in their publication in Administrative Science Quarterly in 1996?
A critical reader would perhaps argue that this literature is only about labeling, or in the best case a framework of concepts. However, I see Adler and Borys (1996) as not only a work of concepts and labels, but also a theory in its infancy. Building on Weick (1995), I see theory as a continuum and a process rather than an outcome, which means that suggesting relationships, developing concepts and proposing models is theory, as well as a fully developed, “strong”, grand theory. The literature on enabling and coercive control, building on Adler and Borys (1996), is such a process of theorizing, where concepts and relationships are proposed and tested, and developed. This thesis aims to contribute to this process.

Moreover, although the theory of enabling and coercive control has much development potential, Adler and Borys (1996) start off with a theoretical proposition about type of formalization explaining employee attitudes. This suggestion is theorized with concepts and analogy to equipment technology, building a theory of how design influences employees’ attitudes and perceptions about the systems they encounter. In subsequent literature this explanatory intention is often neglected and the focus falls primarily on the concepts and their features as labels rather than on the underlying question from which the theory is developed.

If enabling and coercive control is suggested to be a theory, then what kind of theory is it, and what underlying theoretical antecedents is it built on? The basic model that is presented in Adler and Borys (1996) is quite straightforward: attitudes to control (or formalization which is Adler and Borys’ interest) can be explained by control (formalization) design. Building on ideas from Weber, Perrow and Mintzberg, Adler and Borys (1996) align with classical organization theory and can be claimed to belong to the functionalistic paradigm, and more specifically be situated within the social systems theory realm (see Burrell & Morgan, 1979).

Developing the research questions
I have in this study the ambition of going one further step in developing the theory, like the metaphor of the researcher as a relay runner whose task is to add one piece of the race, but is dependent on previous runners (i.e. previous researchers’ work). As I immersed myself in the previous literature, I found opportunities for developing the theory. The research questions of this dissertation are developed from weaknesses found in previous research, for example, the limited scope of control that has been addressed, and the lack of studies in the context of extensive regulation and institutional pressure. The review of the framework on enabling and coercive control pointed
to a lack of regulated industries in previous research. If such a context is addressed, it could increase our understanding of enabling and coercive control in organizations that do not only have internal and hierarchal control (owners and down through the organization), but also external control and a strong interest in control from external actors (such as customers and governments).

After the initial analysis of the question of what enabling and coercive control can be in a regulated context came the interest and need for understanding what seemed to be a coexistence of these types of control emerged. Going back to the literature, the few studies in which coexistence of enabling and coercive control had been addressed were missing the aspect of what a coexistence of enabling and coercive control meant to the employees, and how they responded to the coexistence. Therefore, another pressing issue was addressed in this dissertation’s second research question. In that way, the theory has led to carving out the research questions, but not only from reviewing the literature but from empirical investigation leading to new questions to the theory.

Central concepts
The theory of enabling and coercive control provides concepts from which I have designed and performed this study. The metaphor of the theory as glasses that the researcher puts on when addressing the phenomenon they are interested in, is very much recognized in the way I have addressed the phenomenon of attitudinal outcomes of control. Concepts such as enabling control, coercive control, coexistence and attitudes, have consequently been central concepts from which I have conducted this study. Definitions of these central concepts have drawn both from the focal literature (Adler & Borys, 1996 and following literature in enabling and coercive control), adjacent literatures, and from letting the empirical investigation contribute to the meaning of some of the concepts (see Table 3).
Table 3. Development of key concepts

<table>
<thead>
<tr>
<th>Key concept</th>
<th>Focal theory</th>
<th>Adjacent literature</th>
<th>Empirical derivation</th>
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<td>Enabling control/Coercive control</td>
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<td>Coexistence</td>
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<td>Attitudes/Perceptions</td>
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The articles that are used and utilized as ‘focal literature’ are both the foundation for central concepts and constitute previous research. The process of selecting articles has been both by searching established search sites (Google Scholar, Web of Science, Diva) and journals (e.g. Accounting, Organizations, and Society), and through what is most similar to snowball selection, namely that references in an article have led to other articles on the subject or theory on interest. Except for a few exceptions (working papers), the articles are published in established international journals and have gone through the conventional peer-review process. The two working papers have been approved by the authors for use. Articles from adjacent literatures (coexistence and attitudes) have been chosen from references in the focal literature or by searching on search sites (for example ‘attitudes’ on Google Scholar).

As enabling and coercive control are essentially theoretical constructs, the definitions brought into this study come from the focal theory. Enabling control and coercive control had quite specific definitions in the focal literature. These definitions come from both more generic descriptions but also from the operationalization that has been made in studies of enabling and coercive control in different empirical context. Whereas enabling control is given specific features, coercive control is not attributed with specific features but is conceptualized as not possessing these enabling features.

Coexistence was less defined in the focal literature. However, expressions such as “enabling formalization side by side with coercive visions of control” (Ahrens & Chapman, 2004, p. 289), and “balance controlling and enabling uses of MCS” (Mundy, 2010, p. 513) provide some meaning to the concept ‘coexistence’. In addition, other adjacent sources have been used to define coexistence in this study. As the prior research on coexistence of enabling and coercive control is limited, the meaning of coexistence has also
been shaped by the empirical data collected in this study. As the study is performed by going from theory to empirical investigation and analysis, back to theory and again to empirical investigation and analysis (more on that later in this chapter), coexistence is also given meaning on the basis of empirical derivation.

Attitudinal outcome and perception are concepts lacking clear definitions within the focal theory and framework (e.g. Ahrens & Chapman, 2004; Groen, Wouters, & Wilderom, 2012; Jordan & Messner, 2012). As the concept attitudes are often implicit or in the background of previous research on enabling and coercive control, the concept has seldom been addressed in terms of clear definitions. What positive or negative attitudes are and what perceptions there are in a banking context is something that had to be a result of empirical investigation, not set before hand by theory. In other words, these have in this thesis more or less emerged from the empirical data generated in this study.

However, in order to grasp the attitudes and perceptions, some kind of understanding of these concepts is necessary, both from some adjacent literature and from of a more intuitive understanding of the concepts. One way of conceptualizing attitudes is presented by Schwarz (2007), namely that attitudes are “evaluative judgments” (p. 639), and not something permanently psychological in the individual. Hence, he, and others, argue for attitudes being “highly context sensitive” (p. 642), meaning that expressed attitudes are dependent upon the context in which the individuals assess the phenomenon of study. In other words, there are no “true and enduring attitudes” (Schwarz, 2007, p. 642), only evaluative judgments made in relation to the situation in which the attitude is expressed.

The key concepts constitute a model from which this dissertation is built. On an overall level, I take as my starting point the same thoughts of reasoning as Adler and Borys (1996): design affect attitudes.

Context is a wide concept which can have many different meanings and levels. In this dissertation I have chosen the context industry. Messner (2016) argue that considering industry might help us understand management control practice in its wider context. Arguably, the industry context in which individuals act and make sense of the world around them also shapes attitudes to control.

Besides concepts directly associated with the enabling and coercive control framework a central concept that needs some definition is management

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3 These are in this thesis treated as synonyms.
control. Again, the topic of this thesis is concerned with attitudinal outcomes of control. Management control is if not the central then at least one of the central parts of contemporary business organizations. It is hard to find any business organization that does not include management control in some way. Through a spectrum of control techniques, systems, and processes management can monitor, direct, and influence the behavior of the people operating in the organization towards organizational goals and objectives. A general definition of management control emphasizes control of actors’ behavior (e.g. Abernethy & Chua, 1996; Merchant & Van der Stede, 2007):

“Management controls are necessary to guard against the possibilities that people will do something the organization does not want them to do or fail to do something they should do.” (Merchant & Van der Stede, 2007, p. 8)

“organizational control system[s]...[is] a system that comprises a combination of control mechanisms designed and implemented by management to increase the probability that organizational actors will behave in ways consistent with the objectives of the dominant organizational coalition.” (Abernethy & Chua, 1996, p. 573)

In addition, a number of different definitions of management control systems exist. Some define management control systems in rather broad terms, in which almost everything in an organization can be conceptualized as a part of an overall control system (e.g. Chenhall (2003), Merchant & Otley (2006). Others have a narrower definition that emphasizes the impact and direction of human behavior (e.g. Merchant & Van der Stede (2007) who separated strategic control and management control, the latter involving dealing with human behavior). Another definition emphasizes goal congruence where organizational control aims to achieve organizational goals (e.g. Flamholtz et al. 1985) (Malmi & Brown, 2008).

Most organizations have multiple management control systems that exist simultaneously (cf. Malmi & Brown, 2008). Malmi and Brown (2008) define management control systems as “systems, rules, practices, values and other activities [...] put in place in order to direct employee behaviour” (p. 290). This includes systems that managers use to ensure that employees are acting in ways that is consistent with and lead to organizational objectives but exclude those systems that are pure decision-supporting or information-systems (Malmi & Brown, 2008). In this thesis, I take Malmi and Brown’s (2008) notion of management control as a starting point.
Operationalization of theory
To be able to study the concepts of enabling and coercive control and attitudes, some operationalization of the theory had to be made. From previous literature and previous descriptions on enabling control and to some less extent coercive control, these concepts have been operationalized into more specific features. Table 4 shows examples of the steps from generic features to empirical findings.

Table 4. Steps from generic features to empirical findings.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Characteristics from theory (Adler &amp; Borys, 1996)</th>
<th>Operationalization from previous literature</th>
<th>Empirical findings in this study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair</td>
<td>Possibility of dealing with breakdowns and opportunities for improvement, avoiding interruption due to breakdowns, responses to real work contingencies.</td>
<td>e.g. Work standards not shut away, operations not totally programmable, broken down information for problem solving, possibility of updating information and processes (Ahrens &amp; Chapman, 2004).</td>
<td>e.g. Opportunity seeking in the use of business plans, possibility of modifying work processes such as review routines.</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Deviations are opportunities for learning. Possibility of redesign to fit specific work demands. Choice of following or taking control over the routine.</td>
<td>e.g. Adding information to incomplete performance indicators (Jordan &amp; Messner, 2012). Customization of performance information (Ahrens &amp; Chapman, 2004).</td>
<td>e.g. Customization of business plans, possibility of adding information and performance indicators when found necessary.</td>
</tr>
<tr>
<td>Feature</td>
<td>Characteristics from theory (Adler &amp; Borys, 1996)</td>
<td>Operationalization from previous literature</td>
<td>Empirical findings in this study</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Internal transparency</td>
<td>Visibility of processes’ key components and rationale, feedback by comparing performance to historical standards, best practice routines.</td>
<td>e.g. Visibility of definitional and measurement details (Jordan &amp; Messner, 2012). Targeted information without information overload, lookup tables of cost effects (Ahrens &amp; Chapman, 2004). Performance measurement systems developed by employees (Wouters &amp; Wilderom, 2008).</td>
<td>e.g. Levels of contribution margins, activity rates, performance measurements development process.</td>
</tr>
<tr>
<td>Global transparency</td>
<td>Understanding how one’s work fits into the whole. Information about broader production processes. Encourage opportunities for improvements.</td>
<td>e.g. Joint planning, shared margin and volume data (Free, 2007). Visibility in the overall context, budgets (Ahrens &amp; Chapman, 2004).</td>
<td>e.g. Development and use of business plans, shared key numbers (allowing benchmarking), understanding of organization shared regulations.</td>
</tr>
</tbody>
</table>

### 4.1.2 Presenting the data

The theoretical departure in this dissertation is also reflected in the presentation of the empirical data. For this reason, I have chosen to present the empirical data as two separate chapters. In a first chapter, the contextual setting is described and empirical data of the management control system in the case company is presented, this both in a descriptive way where the control is presented based on the empirical data collected in this study, and from a more ‘informative’ perspective, where perceptions and attitudes about the control are outlined. In the second empirical chapter, which is also the first analysis chapter, some more empirical data is intertwined with the analysis of the management control system(s) in the organization studied as enabling or coercive. In other words, empirical data is presented with the concepts enabling and coercive control; hence, while this is a presentation of the organization and data studied, it is also a descriptive analysis of the concepts enabling and coercive control. In the second analysis chapter, where the question of coexistence of enabling and coercive control is in focus, data is also presented as intertwined with theory.
It is the theoretical concepts that govern the structure of the chapter. This way of presenting the data is chosen in order to enhance transparency and help the reader to become as informed as they need to be to understand my analysis and conclusions. Although the concepts enabling control and coercive control are perhaps not so complex, this way gives an explicit and clear picture of what the management control system looks like in the organization studied, what in the control package has the design of enabling or a coercive, what the attitudes to the control are in the case company, and how coexistence is first expressed and then handled by the employees.

### 4.2 Research approach

The research strategies in previous research on enabling and coercive control contain both qualitative approaches such as case studies (e.g., Ahrens & Chapman, 2004; Englund & Gerdin, 2014; Jordan & Messner, 2012; Wouters & Wilderom, 2008) and quantitative approaches such as surveys (e.g., Chapman & Kihn, 2009; Mahama & Cheng, 2012). The majority of the studies in this literature are, however, found in qualitative case studies of organizations or organizational departments. The knowledge searched for in the majority of previous literature corresponds with a qualitative research approach. I have chosen to follow this dominant stream. Miles and Huberman’s (1994) description of qualitative data supports this choice of a qualitative approach:

“[…] a source of well-grounded rich descriptions and explanation of processes in identifiable local contexts [and] good qualitative data are more likely to lead to serendipities findings and to new integration; they help researchers to get beyond initial conceptions and to generate or revise conceptual frameworks.” (p. 1)

The purpose of this thesis is to generate knowledge about enabling and coercive control in a specific context and setting which has not previously been studied from this specific theoretical framework. As this thesis also seeks to elaborate the theory both conceptually and empirically, a qualitative approach is advantageous. A qualitative research approach is suitable, as the emphasis in this thesis is on the meaning of control for the employees and also on understanding the context within which the employees act, (cf. Maxwell, 2013).

As the research questions are about investigating what enabling and coercive control is in banking and how employees in banking respond to the
coexistence of enabling and coercive controls, this is in line with a qualitative approach. In this dissertation, the focus is on understanding how people experience the world around them, and more specifically how they think about and perceive the control they meet in their daily life, and what leads to such perceptions.

In order to study control and perceptions of the control related to its context, I needed a method for grasping the contextual reality within which the subjects of control are situated. To meet these demands qualitative method and analysis was considered suitable. In order to do this, qualitative data is gathered and the analysis is conducted through a qualitative method.

4.2.1 Paradigmatic fit
In what ways do the theory and method of this dissertation fit? As concluded previously, the theory of enabling and coercive control is founded in a functionalistic paradigm approach and the social system theory (see Burrell & Morgan, 1979). In short, social system theory entails a positivistic view but, unlike other positivistic perspectives, social system theory does not rely on physical events to study social phenomena. Instead, social phenomena is viewed as systems (Burrell & Morgan, 1979).

It can be noted that, within the social system theory realm, explanations of the social world have to be adequate at the level of meaning. Explanations of social affairs have to take into account the way in which individuals attach subjective meaning to situations and orient their actions in accordance with their perceptions of those situations. The social system theory aims to incorporate idealistic and positivistic approaches to the study of society, bounded by the functionalistic border to subjective (and interpretative) approaches. Also, the social system theory consists of a whole range of ontological, epistemological and methodological assumptions (Burrell & Morgan, 1979).

Another useful characteristic of the social system theory for this thesis is that it differentiates between closed and open systems and espouses the latter. In open systems, the environment influences the system: as a living organism, there is an exchange with the environment and social system theory seeks to understand how the system operates from its relationship with its environment (Burrell & Morgan, 1979).

To conclude, this thesis and consequently the perspective from which the research design is developed, as well as the theoretical framework, departs from the same paradigmatic domain (functionalistic). Therefore, it is argued
that there is a paradigmatic fit in-between the research questions, the theory as well as the adopted methods.

4.3 A case study and complementary interviews

The research design of this study is built in two parts. The main part consists of a case study. In addition, the other part of this thesis consists of interviews from another organization serving the purpose of enriching the data on attitudes to control in banking. Importantly, these parts are very much connected, as the interviews should be viewed as an extension of the case study. First, some clarifications need to be made about what a case is defined as in this dissertation and how it relates to the concept of context.

In this thesis, the definition of a case is two-leveled. First, the banking industry constitute a case of extensive control and workflow formalization, which I argue provides new insights to the study of enabling and coercive control.

Second, case is also viewed in line with cases as entities. Hence, the case study is an organization, a bank that in this thesis is named Alfa Bank. The literature on case studies as a research method is massive and there are a lot of different concepts and classifications related to cases studies. In order to clarify the role that the case in this study serves, I refer to Stake’s (2000a) instrumental case study, where a case is examined in order to give insight and facilitate an understanding in something else than the particular case (Alfa Bank) studied. In this thesis, the interest is to understanding management control from an employee perspective in a context of workflow formalization and extensive regulation. The case is chosen because it is considered to support understanding of that issue.

Case studies are also claimed to be suitable for studies of complex social phenomena, such as organizational and managerial processes, and when research questions like how and why are in focus (Yin, 2003). Considering that management control is a complex social phenomenon, a case study is appropriate research strategy for answering my research questions. This is not to say that a case study is the only way to study management control but, from the theoretical perspective, previous research and the research questions of this thesis, this is considered to be an appropriate choice of method.

The other part of the study consists of interviews with employees in another organization. This organization is another Swedish bank, thus also part of the same industry, context, and regulative setting as Alfa Bank. This bank is in this thesis named Beta Bank. The interviews made at Beta Bank
have the purpose of complementing the Alfa Bank case study as they enrich the data about the banking context and attitudes to control in this regulated industry.

Choosing an organization such as Alfa Bank means that there is an inevitable bias towards small, relatively local, banks. This could be viewed as problematic for the generalization of the study, but this strategy has also been necessary for the depth of the study of enabling and coercive control. By adding data from Beta Bank regarding the question of coexistence of enabling and coercive control, I make a move from the specific case study of Alfa Bank to the case of the banking industry.

Notably, Beta Bank has not been used for comparative purposes; instead, Beta Bank strengthens the transferability of this study to other organizations in the banking industry. If perceptions from Alfa Bank strongly deviated, then these deviations would be of interest to lift and emphasis. However, as will be shown in the analysis, there were no significant deviations between Alfa Bank and Beta Bank regarding perceptions and responses to the coexistence of enabling and coercive control. Thus, Beta Bank serves as additional data from the case of banking industry, for the analysis of coexistence and should not be viewed as a comparative case.

Case studies are often claimed to enable studies of phenomena in the real-life context (Yin, 2003). As for my research, the context in which the management control acts are important to grasp in order to understand both how the control of the case organization is designed, and also perceptions of that control. In order to gain a deeper understanding of management control from the employees’ perspective, we need to understand how control is perceived and what grounds these perceptions have. This requires a research approach that enables the context and cognitive processes to be captured, which the research design of this thesis does.

4.3.1 Selection of case study company

The selection of which case to study was by no means obvious. The only prerequisite for the case company was that it should be a bank, due to the specific interest and focus in this thesis on control in the banking industry. The interest in the banking context limited possible cases of course, Sweden has compared to other countries few but relatively large banks.

The selection of Alfa Bank is based on several reasons. First, Alfa Bank was considered to permit a balance in size. Alfa Bank is a relatively small bank but has multiple branches, meaning there is a need for top management to implement control systems that control the branches. This means
ensuring that the branches are working in the same direction, although direct surveillance is not possible.

Moreover, the size of Alfa Bank, seven branches in total, allowed a comprehensive study including all branches. This was important in order to provide a comprehensive picture of the case. It also allowed me to be all-embracing in which branch managers to include in the study. Because of the size of the bank, all branch managers could be used in the study, also contributing to the comprehensiveness of the study.

The case company was approached as follows. The CEO was contacted and a meeting between myself and the CEO was scheduled. At this meeting, I presented myself, expanded the reason for initiating the contact (a brief argument was presented in the first contact), and presented the study in which I wanted to examine Alfa Bank. After a positive reply to my request, the CEO informed the branch managers that I would contact them to schedule interviews. This was important, because, as banking involves extensive secrecy, I assumed that it would be easier to get a positive response to my interview proposals if the branch managers knew that the CEO had approved. The downside of this is, of course, that there could be branch managers that feel pressured to take part because it comes from the CEO. However, I made the judgment that the benefit of the branch managers knowing that the CEO supported my presence and my interviews outweighed that risk.

At Beta Bank, the approach was quite different. The choice of Beta Bank was made from the criteria of being a commercial bank (in contrast to Alfa Bank) and large in the sense of having multiple branches in the surrounding area (to enable multiple interviewees). As this part of the study is not as in-depth case study as Alfa Bank, I approach the interviewees directly to briefly present the study and ask for an interview. A few turned me down due to what they said was lack of time. Those agreeing to participate in the study came across as genuinely interested and positive in contributing to the research.

4.4 Data collection method

The use of a case study does not restrict the researcher to using some specific methods of inquiry. Different methods can be used in a case study; therefore, the choice of which to use must be based on the interest and aim of the research. As I have already stated, my research questions and interest have led me to a qualitative approach. Because my interest is in perceptions about management control, aspects which cannot be observed, the method
to use in order to collect that information is preferably interviews (Merriam, 1994).

**4.4.1 Choice of interviewees**
In this study, the research questions are concerned with employees’ perceptions. Therefore, logically, the main subject of study is the banking employees. One possible choice could have been to study the bank clerks; however, another group of employees, the branch managers are my choice of interviewees in this study. The branch managers act as middle managers at the bank’s branches and are in this sense also employees. Although the role and responsibility might differ from bank to bank, and even among branches in the same bank, common to branch managers is that they are one step higher in the organizational hierarchy than bank clerks, and at the same time are not part of top management. Of course, the top management team is also employed, but in this study, I have made the distinction between the top management team as *employers* and the branch managers as well as the bank clerks, administrative staff, and credit clerks, as *employees*.

The role of branch manager in a small bank includes middle management tasks, such as responsibility for the branch, staffing, coordination with other branches and the head office, compliance, and so forth. Most importantly for this study, the branch managers are the ones working closest to the management control system of bank. These individuals are of most interest of this study, as they are in the middle of the control systems; they are influenced by control from top management and regulations as well as having to ensure, with control systems, that the branch is compliant with these regulations and internal objectives. In addition, branch managers have, in general, long experience of banking, not necessarily as managers but from the banking industry as least. However, the risk of only capturing institutionalized perceptions about banking and control is immanent, but as the branch managers used in this study have a wide range of experience in banking and as branch managers, I judge it unlikely that the results of this study would be invalid because of this.

**4.4.2 The interviews**

Alfa Bank
Two interview rounds were made at Alfa Bank. In the first round, I started out by talking to the top management team, consisting of the CEO, the
CFO, the operative manager and also the credit manager and the HR manager. The meeting with the top management team was done by means of a group interview where all members of the team except the CFO, who could not attend, were interviewed together. The CFO was individually interviewed at a later date, and also the operative manager was interviewed one-to-one. These interviews (the group interview as well as the two individual interviews) were conducted as a way for me to gain some understanding for the organization structure, the control system design (from top management perspective) and some historical and contextual background to the bank and banking in general. Thus, these interviews were more of a “technical” character and for me to gain a more “objective” understanding of Alfa Bank.

In these interviews, the top management team was asked to described Alfa Bank and the management control system from topics such as, for example, “organization”, “the industry”, to more specific topics such as, for example, “key numbers and performance measurements” and “incentive systems”. The top management team was also asked to describe how the control systems are used and the role of formalization in banking.

Importantly, these were initial interviews, meaning that the research focus was not yet totally developed. Nevertheless, as said, these interviews served the purpose of informing about Alfa Bank’s control systems and the banking context.

In this first interview round I also count the first interviews with the branch managers of all seven of the branches at Alfa Bank. These were held from December 2014 to February 2015. After mail contact where I introduced myself, briefly described the purpose of the interviews, and suggested some dates for meeting, the interviews were scheduled. None of the branch managers asked for any further information about the interviews, so I drew the conclusion that the information given was satisfactory.

In these, as well as the interviews with top management, the branch managers were unaware of which questions were to be asked. This was because I did not want the branch managers to feel limited by fear of moving away from an assumed subject. I believe people in general are keen on answering in an honest way and by allowing people to be spontaneous the possibility increases of getting closer to people’s honest answers.

An interview guide was developed with a foundation in the management control system package, the theory of enabling and coercive control, and included some questions that served to grasp perceptions of the control more freely.
The management control system package (Malmi & Brown, 2008) was used as a frame from which questions capturing the control at Alfa Bank was developed. This frame was also used for structure in the interview guide where the control system at Alfa Bank could be addressed in a systematic way. This does not mean that the interviews strictly followed that structure. The questions were frequently asked in a different order and I often deviated from the structure in order to follow the flow of the interview. Moreover, depending on the branch managers’ statements, the disposition of the interviews sometimes deviated from the interview guides. In these cases, the interview guides served as a tool for me to make sure all elements of the control system were covered during the interviews.

Although the management control system package framework was used for creating an overall structure for the interview and capturing control elements, the theory of enabling and coercive control guided most of the questions asked. More specifically, the features of enabling control guided the majority of questions in order to grasp the extent to which such features were present at Alfa Bank’s control system. From the definitions presented in previous literature, questions capturing these features related to the control at Alfa Bank were formulated.

I did not in my questions use concepts such as ‘enabling’, ‘coercive’ or ‘coexistence, as the branch managers are not (to my knowledge) acquainted with the theory and the specific theoretical meaning of these concepts. Instead, the questions were formulated with more common words, such as for example ‘discretion’, ‘understanding’, and ‘limiting’.

Other questions were more of a descriptive type, for example, how they (Alfa Bank and the branch managers) work with the business plans which had been described as an important control tool by the top management team. These questions served the purpose of capturing perceptions by first freely allowing the branch managers to describe in their own words their perceptions of the control and then being followed up with specific questions about these processes and how they perceived them from the theoretical departure of this thesis.

The questions were open-ended and answers were followed up with supplementary questions when found appropriate and/or necessary, and/or interesting aspects came up. Hence, no interview was identical to another in terms of the questions; however, the interview guide was the same. This interview guide can be found in Appendix A.

After the first round of interviews with top management and branch managers was completed, I started on the first stage of analysis (see section 4.5).
When I had spent some time analyzing, the research focus had developed and more questions had arisen. Consequently, the need for another interview round was obvious to me.

For this round, the interview guide had been adapted and modified based on the results from the initial analysis. It should be noted that there are similarities between the two different rounds of interviews where round two I achieved more in-depth and nuancing of some of the questions that were asked during round one.

For example, the branch managers did not see the interview guide before the interview; the interviews were semi-structured, meaning I had an interview guide but did not strictly follow it, depending on the branch managers’ answers, and the interview guide was constructed based on the theoretical framework and also some questions that were more related to the empirical setting and conditions.

Notably, some questions in interview guide one were used also in round two. This is because some branch managers had changed at Alfa Bank and thus were being interviewed for the first time. However, these were excluded from the interviews where the same branch manager was interviewed a second time.

Interview guide two was partly based on theory, but the initial analysis was also a foundation for the questions. This was both due to questions arising from the close scrutiny of the data, where supplementary questions had been missed, and due to the fact that interesting things had been found and needed elaboration. These questions served to confirm (or contradict) previous statements and my interpretation/analysis of them. Interview guide two is found in Appendix B.

The interviews in round two took place from June to November 2016. To be able to go back and hold another round was fruitful, as it gave me the opportunity to go deeper into issues and topics that the branch managers had talked about, but that I did not know at the time of the interview would be important, and also as it gave me the opportunity to ask supplementary questions where I did not have the presence of mind to do so in the first round.

When holding the second interview round, many of the branch managers were still in the same positions as in the first interview round, but quite a few had transferred, either to another office (i.e. another town) or to another position within the bank. Thus, I had not talked to some of the branch managers in the second interview round before and they were quite new in
their role as branch managers. However, all had long experience of banking, either at Alfa Bank or in other Swedish banks.

**Beta Bank**

As said, in addition to the case study of Alfa Bank, I wanted to complement the study by adding data from another organization in order to see whether the findings at Alfa Bank were obviously biased by the context of a small savings bank, or whether similar (or significantly deviant) perceptions can be found in other organizations within the banking industry. The organization I approached, Beta Bank, is one of Sweden’s larger banks and, in contrast to Alfa Bank, it is a commercial bank.

This part of the study I do not consider to be a case study, although the branch managers are all from one and the same bank, because the understanding of the organization and organizational context was not of particular interest, as it was for Alfa Bank. Instead, the branch managers at Beta Bank were interviewed with a focus on their perceptions of control in banking. Of course, through the interviews I gained a good picture of Beta Bank, how they work and similarities to and differences from Alfa Bank. However, I think it is important to emphasize that Alfa Bank is investigated as a case study, whereas Beta Bank serve as complementary data, whose aim is to enrich and contrast the case study.

The interview guide used for the interviews in Beta Bank is a combination of the two. Some understanding for Beta Bank’s control systems was needed, whereupon interview guide one was used. However, because interview guide two contains questions that needed to be addressed in order for Beta Bank to serve as a complement to the study of enabling and coercive control, these questions was also addressed in the interviews.

This part of the study was completed at about the same time as the second interview round at Alfa Bank, a little before to be precise. This was because it was first when I had made initial analysis that I felt the need to expand my study into a contrasting part, as question arose about whether the patterns I saw were limited to Alfa Bank or could be seen in other banking organizations. In order still to limit the study and not incorporate too many variable factors I decided to add one other bank (when the choice could have been to make a more comprehensive interview study across several banks).

This has, of course, consequences for the study. Although this will be discussed more in detail later, I recognize here that the generalization across
the industry of banking is, of course problematic if we talk about generalization in terms of some statistical meaning. However, the aim was never to design a study that could be generalized in this way. I argue that, by having a foundation in a case study, the adding of another organization provides most of all enrichment of data about banking employees’ perceptions about control, and also to some extent a possibility to see nuances and contrasts between them.

All interviews (first round, second round and at Beta Bank) were held when I visited each branch, and the interviews were conducted at the branches, either at the branch manager’s office or in a nearby conference room, except for one interview with Beta Bank that, due to the branch manager’s home location, meant that they visited me on the university campus. This interview was held in one of the conference rooms at the university.

The interviews were, after asking for permission, audio recorded. No respondent had any objections to this. At all times, I felt that the branch managers were relaxed and because they had to a large extent decided when the interview took place, they did not seem stressed or under time pressure. I had tried to make sure that enough time was reserved with a margin so we would not exceed the time and we had time for the branch manager to elaborate. Based on the questions in the research guides, I estimated 60 minutes would be enough and the first couple of interviews confirmed that this was enough time for the questions I had prepared. Only one interview exceeded the time we had planned. Table 5 shows a line-up of the branch managers and where (in which town) they were managers at the time of the interviews.
Table 5. Interviews

<table>
<thead>
<tr>
<th>Town (Alfa Bank)</th>
<th>Interviewee</th>
<th>Interview round 1</th>
<th>Interview round 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>HQ</td>
<td>CEO, OM/CM, HRM</td>
<td>Nov 2014</td>
<td></td>
</tr>
<tr>
<td>HQ</td>
<td>CFO</td>
<td>Dec 2014</td>
<td></td>
</tr>
<tr>
<td>HQ</td>
<td>OM/CM</td>
<td>Dec 2014</td>
<td></td>
</tr>
<tr>
<td>Town A</td>
<td>Branch manager A</td>
<td>Feb 2015</td>
<td></td>
</tr>
<tr>
<td>Town A</td>
<td>Branch manager H</td>
<td></td>
<td>Nov 2016</td>
</tr>
<tr>
<td>Town B</td>
<td>Branch manager B</td>
<td>Dec 2014</td>
<td></td>
</tr>
<tr>
<td>Town B</td>
<td>Branch manager I</td>
<td></td>
<td>Aug 2016</td>
</tr>
<tr>
<td>Town C</td>
<td>Branch manager C</td>
<td>Dec 2014</td>
<td>July 2016</td>
</tr>
<tr>
<td>Town D</td>
<td>Branch manager D</td>
<td>Feb 2015</td>
<td></td>
</tr>
<tr>
<td>Town D</td>
<td>Branch manager B</td>
<td></td>
<td>June 2016</td>
</tr>
<tr>
<td>Town E</td>
<td>Branch manager E</td>
<td>Feb 2015</td>
<td>Aug 2016</td>
</tr>
<tr>
<td>Town F</td>
<td>Branch manager F</td>
<td>Feb 2015</td>
<td></td>
</tr>
<tr>
<td>Town G</td>
<td>Branch manager G</td>
<td>Jan 2015</td>
<td></td>
</tr>
<tr>
<td>Town G</td>
<td>Branch manager J</td>
<td></td>
<td>June 2016</td>
</tr>
<tr>
<td>Beta Bank</td>
<td>Branch manager K</td>
<td></td>
<td>May 2016</td>
</tr>
<tr>
<td>Beta Bank</td>
<td>Branch manager L</td>
<td></td>
<td>May 2016</td>
</tr>
<tr>
<td>Beta Bank</td>
<td>Branch manager M</td>
<td></td>
<td>May 2016</td>
</tr>
<tr>
<td>Beta Bank</td>
<td>Branch manager N</td>
<td></td>
<td>May 2016</td>
</tr>
<tr>
<td>Beta Bank</td>
<td>Branch manager O</td>
<td></td>
<td>June 2016</td>
</tr>
</tbody>
</table>

4.4.3 Branch managers meetings

In addition to interviews I attended two “branch managers meetings”, information and discussion meetings with all the branch managers and top management which are held a couple of times per year. The reason for attending such meetings was as a complement to the interviews, as it could confirm, verify, statements made in the interviews. Another reason was that perceptions of control might be expressed in interaction with others, in the discussions of operational issues. However, although they were interesting, after attending a couple of these meetings, they did not provide as much input to the research that started to emerge from the interviews, so I chose to not attend any more of these meetings.

The meetings were informative about the organization of Alfa Bank, current issues of banking in general and Alfa Bank in specific, which contributed to my understanding of the context of Alfa Bank and the banking industry. It also gave me input and a better understanding of the more technical subjects that came up in the interviews.

However, as primary data, the observations were less fruitful. Possibly, the meetings were not suitable for collecting the data I needed, although I
believed that some attitudinal utterance could be captured in the interaction between top management and the branch managers (in group). An alternative that perhaps would have been more beneficial is to attend the one-on-one meetings between the operational manager and a branch manager in order to gain an insight into the interaction between these parties. However, as the focus of this thesis is on control design and employee attitudes, I judge that such a meeting would make only a minor contribution and that the interviews should be the main data collection.

4.5 Analysis method

The process in which this dissertation has been developed and shaped is in line with Ahrens and Chapman’s (2006) notion of qualitative field research. They say:

> The problem may point the researcher towards a particular theory, which in turn suggests the collection of certain data, which [...] may lead them to rephrase the original problem and think differently about the appropriate theory” (Ahrens & Chapman, 2006, p. 836).

The work on this thesis has had the character of such a process of going back and forth in-between theory and the empirical field in shaping the final problem, empirics and theory. It is, therefore, possible to claim that this thesis does not specifically follow either a deductive or an inductive logic. Rather, the approach in this thesis has the character of an interchange between the two.

For this thesis, the process of inquiry has been derived from an interest in how individuals may perceive control as positive. In order to encounter this interest, I took a starting-point in the theory of enabling and coercive control, which in turn has shaped the research questions. The research questions and consequently the theoretical framework have guided the collection of interview data. From the initial interviews and analysis, I came to adapt, modify, and expand the initial theoretical framework. The adjusted framework came to serve as a foundation for the collection of interview data during interview round two as well as the analysis, conclusions and implication from this research.

The theoretical perspective and the departure in theory when addressing the research questions pervades the analysis method. This is shown by the extent to which theory drives the analysis.

The analysis in this thesis can be illustrated as four phases, which are described in the following. Although this might seem to be a linear process,
some parts have been done in parallel and by going back and forth between phases. I started the analysis by transcribing the interviews from the recordings. This was done both for documentation of the research process and to enable my further analysis. Also important, it meant listening carefully to the interviews and getting a sense of what had been talked about in the interviews. Besides my presence at the interviews, this gave me some feeling of what was ‘in the material’. After transcribing, the analysis was begun, using a computer-based analysis tool (NVivo).

**Phase one**

A first step in the analysis was to inductively categorize the different themes that had been addressed, either by a question being asked in the interviews or by the interviewees’ own elaboration. This can be similar to open coding (see Bazeley, 2013). This was done by the statements that I judged were in line with the primary interest of this thesis first being coded in an intuitive way. After this, I coded these initial codes to a second level coding and for this I partly used the theory for creating categories.

The categories emerging were divided into four themes: the banking sector (regulations and laws, the dual role of banks, relation to other branches), coercive aspects (restriction, influence and non-influence), enabling aspects (support, employee participation), and the control system at Alfa Bank (key numbers, head office’s role and closeness, freedom within given frames, communication, best practice, change from previous management). The interviews were analyzed separately and statements in a certain category were compared with the other interviews, building a picture of Alfa Bank but also similarities and differences in the branch managers’ perceptions of control.

This open coding was a good way for me to get acquainted with the data and was a foundation for further analysis, as it condensed the data by sorting out statements that was not relevant for the study (e.g. personal information about the branch managers, side tracks).

**Phase two**

Early in the process I also needed to get a picture of the control at Alfa Bank. As the focus of this thesis is perceptions of control, a central part is to identify how the management control system at Alfa Bank is designed and what kind of perceptions there are about this control. In order to do that I needed a typology that could help me to grasp and categorize the control at Alfa Bank from the statements of top management and the branch managers. A
suitable, and well-used, typology is Malmi and Brown’s (2008) management control system package. This typology consists of five types of control: administrative control, planning control, cybernetic control, cultural control and reward and compensation. Because management control systems are not isolated from each other, the management control system package provides a framework for linking together the different controls that can be found in contemporary organizations. The five types of control that the management control system package consists of and are used in the analysis of the control at Alfa Bank are in brief outlined in Table 6 and examples of how I have used the framework in my analysis of the control at Alfa Bank is accounted for.

The steps from definition to code were that the empirical material was interpreted and translated from the conceptual meaning outlined in the framework. Because Malmi and Brown’s (2008) framework is quite empirically defined and exemplified, the translation between my data and the management control system package concepts was quite straightforward. By taking one control element at a time and analyzing the management control system, as described by the top management and branch managers, in the light of the definition and operationalization suggested in the framework allowed me to comprehend and sort the management control system.

The categorizing and analytical description of the control at Alfa Bank which is done from the management control package (Malmi & Brown, 2008) concepts is outlined in the case description in Chapter Five.
<table>
<thead>
<tr>
<th>Control</th>
<th>Definition</th>
<th>Examples</th>
<th>Coded as (examples from Alfa Bank)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>Organizing individuals and groups, monitor behavior and who is accountable to whom, and the specifying how tasks or behaviors are to be performed</td>
<td>Organization structure and design, governance structure within the organization, and procedures and policies</td>
<td>Loan procedures, decision structures, regulations transformed to routines and policies</td>
</tr>
<tr>
<td>Planning</td>
<td>Direct behavior and action in ex ante. Used to direct behavior and effort by in advance signal what the employees are to accomplish through goals and objectives</td>
<td>Operation planning, strategic planning, long-range planning, action-planning. Financial or non-financial planning</td>
<td>Bank business plan, branch business plans</td>
</tr>
<tr>
<td>Cybernetic</td>
<td>Can be likened to a feedback loop where standards of performance are formulated, performance is measured, performance is compared to the standards, deviations from standards are acknowledged, and the system is modified</td>
<td>Budgets, financial measures, non-financial measures, and hybrids of both financial and non-financial measures</td>
<td>Key performance indicators such as K/I-number, branch results, business volume per employee</td>
</tr>
<tr>
<td>Culture</td>
<td>Culture is a control system when it is used to regulate the behavior of employees; e.g. shared values, beliefs and norms that influence the members thoughts and actions</td>
<td>Values; vision, mission, purpose and credos, symbols; buildings, workplace design and dress codes, and clan controls; subgroup and/or subcultures which have their own socialization processes e.g. professions or distinct groups within the firm</td>
<td>Culture policy document, branch manager meetings</td>
</tr>
<tr>
<td>Rewards and compensation</td>
<td>Linking performance to rewards for motivating employees and increasing effort to achieve objectives</td>
<td>Financial rewards when reaching specified goals, non-financial rewards for meeting specified goals, provisions</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Phase three
A deeper coding was done by interpreting the data against the theory of enabling and coercive control and previous studies. In this phase, the purpose of the thesis was considered, as it influences what is observed in the coding (Bazeley, 2013).

Unlike the first phase, the previous phase and this phase are similar to focused coding (see Bazeley, 2013). This means that analyzing the perceptions from the features of enabling control (flexibility, repair, internal transparency and global transparency) constitutes a central process in the analysis. The analysis consisted of going back and forth between the framework, previous studies, and the interviews, asking new questions to of the data but also to the literature. These analytical questions were based on the literature.

I asked questions to the data and the theory such as, for example, ‘how and in what ways do the statements fit to the predefined features?’ and ‘are there things that could not be explained with existing features?’ This last question was important in order to nuance the theory and explore whether there were aspects that could be developed based on the empirical investigation.

The analysis was done with the help of the operationalization of the theory that previous research provides (see Table 4). However, the analysis has not been limited to previous operationalization, but rather inspired by the interpretations and applications made in previous research. A statement was coded in a certain way if it could obviously be related to a feature of enabling control, or if it clearly expressed lack of features.

The open coding (phase one) was the foundation for this analysis. From the codes that had emerged in the first phase, the theory of enabling and coercive control was set against the data that had been considered relevant for the study. However, the data not coded in the first phase have at times been scrutinized to ensure that no important statements had been missed.

The criteria for interpreting a statement as enabling or coercive control have been if the statements indicate that the control design provides the employee with discretion to modify or adjust the control in order to meet requirements of the situation, or if statements indicate that the employees have an understanding of the control system or their work. On the other hand, when statements indicate that these aspects are lacking or if the interviewee explicitly expresses that they are limited by the control system, this has been interpreted as indicating coercive control. In Table 7, examples are given of the coding of enabling and coercive control.
<table>
<thead>
<tr>
<th>Control feature</th>
<th>Definition</th>
<th>Examples of quotes coded as indicating control features</th>
</tr>
</thead>
</table>
| Global transparency     | Understanding how one’s work fits into the whole. Information about broader production processes. Encourage opportunities for improvements | “[When developing the business plans] you didn’t just take last year’s plan and added some new numbers, but you really thought about what we should do, what we should focus on, and how are we going to reach that.”  
“Then they, the staff, have looked at it and they continued writing and then I have complemented it, and then I need to complement a bit further today. So, today it should be finished but it must be bought by the ones at the office.” |
| Internal transparency   | Visibility of processes’ key components and rationale, feedback by comparing performance to historical standards, best practice routines | “More [measures] would just be messy, less would be weak. The ones we got, they build on understanding. You understand how they are structured and then we can control [the branch] based on that.”  
“You starting to discuss a little more and you understand that, if one customer has got five accounts, it will cost more than one that has three accounts [...]” |
<table>
<thead>
<tr>
<th>Control feature</th>
<th>Definition</th>
<th>Examples of quotes coded as indicating control features</th>
</tr>
</thead>
</table>
| **Flexibility** | Deviations are opportunities for learning. Possibility to redesign to fit specific work demands. Choice of following or taking control over the routine | “[…] each branch manager gets to design their own business plan from the conditions that is for [that town].”  
“We can decide cash opening hours, for example, in given frames and say “well, now we want to do it like this because” |
| **Repair**      | Possibility of dealing with breakdowns and opportunities for improvement, avoiding interruption due to breakdowns, responses to real work contingencies | “There are more measures that we use when we look at the branch, for our own sake.”  
“…we got this document on how we should review and I thought it was so weird so I did in my own way […]” |
| **Coercive control** | Limited discretion, no possibility for making decisions, control causing obstacles and stoppages in the work process. | “[…] here comes a customer that I have known for twenty years […] well then you must start writing these documents! This I can think is a bit too much sometimes”  
“[This] is what controls and then you become a bit paralyzed sometimes, because there I don’t own the decision rights” |
Also, attitudes and perceptions were considered in this coding as I do not equate enabling control with positive attitudes and coercive control with negative attitudes. Much of the perceptions and attitudes had been captured in the open coding, but in this analysis the statements were related to the theoretical frame. This coding was more difficult, as the theoretical frame was at the time less developed. However, as the study proceeded, this part was developed and I needed to go back to this phase several times (an example of the process of going back and forth between theory, data, and analysis).

When tensions, or inconsistencies, were identified in the analysis of the design, this was given special attention. In order to understand such inconsistency between design statements and attitudinal outcome, or between theory and data, I went back to the theory of enabling and coercive control to find explanations. The concept of zone of indifference became central in this.

**Phase four**

Lastly, coexistence of enabling and coercive control is analyzed from the two theoretical dimensions of coexistence; simultaneous systems and simultaneous cognition. For this analysis, questions based on the research aim and research question two were asked of the data: ‘in what instances do enabling and coercive control coexist’, and in addition, ‘how do the branch managers respond to these instances’. Also, here NVivo was used for coding the data. This analysis was founded on the enabling and coercive theory, but was more explorative in combining the focal theory with the two concepts of coexistence.

In sum, the analysis was made in four phases, including:

1. Coding of the interview content in an empirically driven way, both for getting acquainted with the data and for observing themes that had emerged in the interviews. This is an important step, as it brings to the otherwise strongly theory-driven analysis an opportunity to see things that otherwise could have been missed.
3. Analysis of perceptions of control from the theoretical perspective of enabling and coercive control, and analysis of attitudes and perceptions as outcomes of enabling and coercive control.
4. Analysis of employee responses on coexisting enabling and coercive controls.

Although this lineup might give a picture of a sequential process, this has not been the case.

**4.6 Generalization and trustworthiness**

Assessing the quality of the research in this thesis entails an account of some central concepts and how this study relates to such concepts. First, generalization is addressed, as it is a discussed topic in qualitative research, and often associated with quantitated research. However, also in qualitative research the question of generalization is central. Second, trustworthiness is discussed from the view of Lincoln and Guba (1985), proposing a number of concepts representing trustworthiness in qualitative research.

**4.6.1 Generalization in case studies**

An often discussed shortcoming in qualitative research in general and case studies in particular is the limitation in the generalization of results (e.g. Gomm, Hammersley, & Foster, 2009; Stake, 2000b). In order to clarify how I see this thesis relate to generalization, some clarifications of the concept generalization need to be made. Notably, this discussion is based on a qualitative research perspective and the conditions for generalization that such research permits. This differs from the conditions of quantitative research and this is important to bear in mind.

When talking about generalization, reference is often made to empirical generalization, which means being able to draw conclusion about a wider population from a sample (or a case) of the population. This kind of generalization is not the aim of this study. I do not claim to be able to draw general conclusions about wider populations. There are however other benefits and other concepts of generalization which are more in line with the aim of case studies. Such concepts are discussed by, for example, Merriam (1994) and Gobo (2008). One concept of generalization can be called “user generalization”. It is the readers/users of the research who are the judge of how applicable the results are in their own situation. Generalization is in terms of how the user in various respects can draw parallels to their own situation and transfer the results into that context. In order to provide this kind of generalization, the researcher provides an in-depth description of
the case and argumentative logic, so the reader can relate to their own situation (Gobo, 2008). In this thesis, this type of generalization is supported by a detailed contextual description and case description. Presenting such descriptions enables the reader to relate the findings in this thesis to their own context and case. Hopefully, these descriptions are detailed and demarcated enough for the reader to judge whether this type of generalization is possible.

Another kind of generalization, which is also in line with the aim of this thesis, theoretical generalization (Tsang, 2014). This kind of generalization, which means that theoretical implications and frameworks is generated, as well as refining of existing theories, is often related to cases studies; claimed by some to be an appropriate way of generating this kind of generalization (Tsang, 2014). Yin (2003) has another term for this, namely analytical generalization, which he defines as generalizing findings of a case study to some broader theory, rather than to other cases. This is also a central point of view in this thesis. The case study of Alfa Bank, together with the ‘case’ of Beta Bank, provides a foundation for this type of generalization. The generalization which can be made from this thesis is determined by the empirical setting in which the study is carried out (Tsang, 2014). Accordingly, I do not claim that the findings of this thesis are directly generalized to completely different setting, unless the user in these settings judges it to be so (see user generalization). However, also argued by Tsang (2014), theory generated from case studies involves investigation of a phenomenon in its real context, providing an understanding for underlying influential contingencies. Arguably, this improves the theoretical generalization.

4.6.2 Trustworthiness

In qualitative research, the concept of trustworthiness is important when assessing research quality. Inspired by Lincoln and Guba (1985) who propose four criteria for assessing trustworthiness, credibility, transferability, dependability, and confirmability, I will now discuss these criteria in relation to my study. This is to give as much information as possible in order for the reader to assess the quality of this thesis.

Credibility

Credibility means that the findings and conclusions of the study are judged as credible by the reader, and can be obtained by several activities (Lincoln & Guba, 1985). Some activities relevant to this study is discussed below.
**Prolonged engagement** refers to sufficient time spent in the empirical setting of which the study is concerned in order to generate enough understanding for the specific context. In this study, the amount of time spent physically in the banks is quite limited. The interviews were conducted between November 2014 to Aug 2016 at Alfa Bank, and between May and June 2016 in Beta Bank. However, given the research design, this is not a substantial flaw. On the other hand, the repeated visits and interviews, and a close study of the banks’ websites and other websites (Finansinspektionen, the European Union, the Swedish Bankers’ Association, etc.) provided me with a deeper understanding for the organizations and the contexts in which they operate. Notably, I have some personal experience of banking, as I have worked a short period of time in a Swedish bank. This was over a few years during my undergraduate studies, and not at any of Alfa Bank or Beta Bank. This experience has, of course, contributed to my understanding of the banking case, the work processes, and the potential conflicts and tensions existing in the control of banks.

**Persistent observation** refers to support identification of the most relevant aspects of the researched phenomenon. The phenomenon approached in this thesis (perceptions) is a broad phenomenon that could be addressed in multiple ways. The specific use of enabling and coercive control as theoretical perspective provides a certain focus and depth to the study of the phenomenon. The role of the contextual setting in understanding perceptions of control in the context of banking was immediately recognized in the analysis as central. For the second interview round, this aspect was highlighted and information about the context was collected. Thus, the focus of the study from choice of theory to conclusions has been stringent about employee perceptions and enabling and coercive control, but also allowed developments of the research process.

**Triangulation** is often used a means for giving a ‘true’ picture by using multiple data sources. In this study, while I am interested in perceptions, the source of data to grasp such phenomenon is arguably collected by interviewing the persons of interest. For this part, triangulation is difficult. However, in describing the management control system at Alfa Bank, multiple sources have been used, such as top management, branch managers, and documentations. Consequently, the description of Alfa Bank’s management control system is arguably ‘true’ in that sense.

**Peer debriefing** means that the research is exposed to peer reviewing. During the process, this thesis has been exposed to formal and informal reviewing and discussion through several formal seminars at which the
whole or parts of the thesis have been addressed. At an international conference, a part of the thesis has been presented and discussed with other researchers. In this way, the thesis has been discussed during the entire process with multiple researchers with different backgrounds when it comes to areas of specialty.

Transferability
Transferability refers to the thickness in descriptions which can enable other interested parties to transfer the research to other contexts. It is my opinion that this thesis provides such thickness in the description of research method, context and case, and analysis that these criteria should be considered to be fulfilled.

Possible contexts the results of this study could be transferred to are other banks. The use of Beta Bank as complementary data collection strengthens the argument for transferability to other banks. In addition to other banks or financial service companies, there are other contexts to which this study could rather easily be transferred, such as other regulated industries.

Dependability
Dependability relates to what extent the research process is being dependent on aspects such as practical matters, decisions taken by the researcher, researcher bias, etc. and how it affects the reliability of the research (Lincoln & Guba, 1985). As Hansson (2008) states, trying to be independent as a researcher is not the issue; a researcher cannot be independent, as multiple things affect the research outcome. Rather, it is a matter of understanding one’s dependency and how this affects the study.

I have also in this study been dependent on multiple things. Some of these things deserve special attention and discussion in terms of the quality of the research. First, this research is very much dependent upon access to the case company (Alfa Bank), its informants’ willingness to answer my questions, and other informants used in the study (Beta Bank). Access to information about Alfa Bank has been vital in this study and a good relationship to Alfa Bank has been of significance. In interviewing branch managers both at Alfa Bank and Beta Bank, openness from these branch managers has, of course, been necessary in order to gain data to work with. In describing the process of gaining access to the banks and the process of interviewing, these considerations are outlined. Second, the research process is also dependent on the search for information. In the section ‘Central concepts’, I describe the process of searching for literature and information about the contextual setting.
Confirmability
Confirmability is about the consistency of the concepts, the data, and the findings. I have to some extent found it to be a challenge in making sure these are consistent. The paucity of literature on enabling and coercive control provides, on the one hand, consistency in terms of concepts because there have not been too many different interpretations, and interpretations of interpretations. On the other hand, I have also found the limited literature to be problematic in my keeping consistency between concepts and data, because some of the concepts are less developed and operationalized in previous research. Consequently, maintaining consistency has been worked on by repeatedly reviewing the use of concepts and the relation to the data and furthermore the findings. Hopefully, the analysis chapters and the concluding chapter provide sufficient clarity and consistency for considering this criterion as being fulfilled.
CHAPTER 5

5 Context and case description

This chapter provides a description of the banking context and an in-depth insight into the organization of Alfa Bank. This description is important, because it provides an understanding of the contextual and regulative prerequisites of the banking industry as well as an outline of the management control system at Alfa Bank. These are complex in themselves as they are rigorous and have effects on several levels (e.g. nationally, internationally, general). They are also intertwined and interlinked, as the regulative frameworks provides conditions for the contextual setting of the industry, which in turn sets the scene in which Alfa Bank, and Beta Bank, design and implement their management control systems.

5.1 The Swedish banking industry

This chapter outlines the complex regulatory setting of the Swedish banking industry. For the public, the Basel Accords are possibly the most well-known regulatory framework, but they are far from the only thing that regulates Swedish banks. National as well as other international laws are, of course also important frames for how Swedish banks can act. They set boundaries for how banks can act, but also set standards for what bank must achieve (e.g. capital requirements). The banks must be responsive to changes in the regulative setting; this has been shown not least after the recent financial crisis of 2008. As a consequence of that crisis, the regulative setting and content became subject to a series of changes; just some examples are the introduction of the Basel III, remuneration policies (CRD III), and coordination of national banking supervision actors (Liikanen, 2012).

The structure of this chapter consists of two parts. First, the Swedish banking industry is described in terms of its actors, its business and the regulative frameworks that controls the banks. This is to provide a description of the regulative setting and context in which Alfa Bank and Beta Bank operates and the actors that significantly influence their internal work. These actors include both competitors and regulative institutions. Although this is not a totally comprehensive description, the main actors influential for Alfa Bank and Beta Bank are presented. Notably, my ambition is not to describe the financial system as a whole, rather to focus on banks and their management control systems.
Second, Alfa Bank, which constitute the case study in this thesis, is presented in order to provide a description of the organization and its management control system. In this section, I focus on the management control design and how it is used. This section also outlines some of the various attitudes and perceptions among branch managers to the control system at Alfa Bank.

5.1.1 Regulative setting
The regulative setting is here defined as the regulatory frameworks and laws, which are formalized expressions of control. The regulative setting (nationally as well as internationally) affects the banking context and banks’ intra-organizational control systems and practice. Öhman (2017) conclude that banks’ control and support systems are impacted by bank regulation. This can be illustrated by two examples. After the latest financial crisis, tighter regulation, for example, forced banks to revise their lending strategy into more risk-averse and ‘hard fact’-based assessments. This, Öhman (2017) shows, have a great impact on less risk taking in the loan officers’ assessments. This is from a regulator’s view in line with the whole purpose of regulation but may also have consequences for the bank’s profitability. Less risk taking in lending strategy due to regulations might lead to missed chances for earning opportunities. Balancing risk taking and earning opportunities becomes a more delicate issue for banks. Also, Elliot and Cäker (2017) note the influence regulations have on banks’ internal work and control practices. With strong regulative boundaries, all granted credits must be based on formal numbers and less emphasis can be made on qualitative and more subjective assessments of the customer’s prospects and liability. Thus, the regulative setting affects both a bank’s view of risk taking and earning opportunities, as well as demands on formalization of work processes.

Also important are the actors that play a central role for comprehending the levels and dimensions of this regulated environment in which Swedish banks operate. These actors are the international and national regulative institutions that regulate and supervise the banking industry. They are central because they are highly influential on the content of the regulative setting as they design the regulative frameworks. Furthermore, these actors are also central, as they are the supervisory authorities that oversee the banking industry.
Actors
One type of actor in the banking industry is the institutions that regulate the industry. Besides agencies that regulate companies in general, there are specially established agencies that have the purpose of regulating and protecting the financial system and therefore also the banking industry. Three domestic actors that in the study of Alfa Bank and Beta Bank appear to play a major role in this is Finansinspektionen, Riksgälden, and Sveriges Riksbank. Internationally, the main actor that is influential on the banks is the European Banking Authority. First, the role and work of this international actor is described. Then, the Swedish agencies are described from their purpose and influence on Swedish banks.

European Banking Authority
The European Banking Authority (EBA) (established 2011) is a transnational regulatory and supervisory actor. It is an EU authority and one out of three parts of the European System of Financial Supervision, which is the system of supervision of the European financial sector (the other two parts are the European Securities and Markets Authorities and the European Insurance and Occupational Pensions Authority). The Swedish banking industry is part of the international financial system and the EU has an interest in making sure the European banking industry is sound so as to prevent future financial crisis. Therefore, EBA serves to maintain stability, efficiency and functionality in the international financial and banking system. Stability and efficiency in financial systems means minimal system risk, transparency in bank information, protection of customers, businesses and the transnational economy of the EU.

The EBA establishes, in addition to European countries’ own national regulations, a shared regulatory framework for the member states. More specifically, the EBA sets up a line of both regulatory and non-regulatory documents, such as, for example, binding technical standards (legally binding for the member states), guidelines and recommendations (European Banking Authority, n.d.-d). These are gathered in a Single Rulebook and span over a line of different topics (European Banking Authority, n.d.-f). These topics are:

- Accounting and auditing: promotes transparency in financial statements and understandable and standardized reporting from financial institutions.
- Anti-money laundering: prevents money laundering and financing of terrorism through financial institutions.
- Colleges of supervisors: regulate the existence and functioning of coordination of supervisory activities between supervisory authorities.
- Consumer protection and financial innovation: protects customers from potential damage when buying financial services, for example, through education, training standards, and monitoring of financial activities.
- Credit risk: control capital requirements in order to promote a consistent implementation of credit risk activities across the EU.
- External credit assessment institutions: focus on standardization and securitization of credit assessments.
- Internal governance: provide guidelines for robust governance structure, such as organizational structure, control mechanisms and remuneration policies.
- Investments firms: focuses on standards aimed at minimizing the risk for stakeholders of investment firms.
- Large exposures and structural measures: framework for structure measures in order to limit the risk of large losses in the case of a failure of an individual large customer.
- Leverage ratio: require financial institutions to report leverage ratios to national authorities in order for the latter to assess the risk of these being excessive.
- Liquidity risk: regulate the calibration of liquidity assets and the liquidity reporting.
- Market infrastructures: focus on the interaction between credit institutions and investments firms, and on market infrastructures.
- Market risk: guidelines for capturing credit risks due to changes in market prices.
- Model validation: regulations for consistency of practice regarding different types of risks, by assessing internal models.
• Operational risk: promotes operational risk management and supervision in order to limit the risk of losses due to internal processes, external events, or systems or people.
• Own funds: regulate own funds specifics, such as the quality criteria.
• Passouring and supervision of branches: focuses on the authorization for banks to provide services over the entire EU, which is the home member state’s responsibility to issue, for which the EBA require passport notifications and regulate collaboration.
• Payment services and electronic money: ensures that payment systems are secure and efficient.
• Recovery, resolution and DGS: work for crisis prevention by for example, enhancing financial stability, protection of depositors and critical financial services, and ensure good functioning of the internal market.
• Remuneration: guidelines for compensation policies for financial institutions staff members who have an impact on the institution’s risk profile.
• Securitization and covered bonds: control the area of securitization by retention rules, disclosure requirements and different aspects of covered bonds.
• Supervisory reporting: regulate the reporting of financial institutions and authorities to EBA.
• Supervisory review and evaluation process and pillar 2: focuses on the link between financial institution’s risk profile, risk management and capital planning, and the supervisory review and evaluation process.
• Transparency and pillar 3: promotes transparency and disclosure of risks of financial institutions in order to enhance the functioning and trust in the financial market.
• Other topics: including regulations about benchmarking portfolios and acquisitions of quality holdings.

The overall purpose with these regulations is to create a shared view of supervision of banks among the European countries, fair market conditions,
and a stronger protection for consumers, investments and depositors (European Banking Authority, n.d.-b). Although it is only the binding technical standards that the member states must implement directly, the EBA requires that member states and financial institutions also follow the guidelines and recommendations. An illustration of the importance of the EBA regulations is that the national authorities must formally (and through a formalized form) inform the EBA whether they intend to comply with the recommendations or guidelines or not, and, if applicable, notify why they intend not to comply (European Banking Authority, n.d.-a). This is, of course, not necessary for binding technical standards, because they are inherently compulsory.

For each of all the aforementioned topics there are multiple technical standards, guidelines and recommendations. Some of these are specific to a certain topic, whereas others are valid for two or more topics. As an illustration of the extensiveness that the regulatory framework of EBA entail, I outline here three examples of these topics.

First, credit risk. Examples of guidelines under this topic are Implementation guidelines on large exposure exemptions for money transmission, correspondent banking, clearing and settlement and custody service, Guidelines on common reporting of large exposures, and Guidelines on the application of the definition of default. Examples of technical standard are the Regulatory technical standards on conditions for capital requirements for mortgage exposure, Regulatory technical standards on disclosure of information related to the countercyclical capital buffer, and Regulatory technical standards on specialized lending exposure (European Banking Authority, n.d.-g).

Second, internal governance. The recommendation under this topic is Recommendations on outsourcing to cloud service providers. Examples of guidelines are Guidelines on the assessments of the suitability of members of the management body and key function holders, and Guidelines on outsourcing (European Banking Authority, n.d.-c).

Thirdly, supervisory reporting. Examples of technical standards are Implementing technical standards on additional liquidity monitoring metrics, and Implementing technical standards on supervisory reporting. Examples of guidelines are Guidelines on harmonized definitions and templates for funding plans of credit institutions, and Guidelines on retail deposits subject to different outflows for the purpose of liquidity reporting (European Banking Authority, n.d.-j).
The technical meaning of these regulations is not the central message in this section; instead I aim to show the extension of EU regulations on the Swedish banking industry. The technical standards as well as the guidelines and recommendations stipulate activities and processes in the banking industry. All banks are, therefore, affected by the regulations that the EBA formulates. This is expressed in criteria, metrics, forms, etc. which formalize and standardize aspects of the banks processes.

The EBA also works for supervisory convergence in the definition and implementation of these regulations between the member states. The EBA’s Review Panel conducts reviews of how the member states implement the regulations. These reviews are based upon both self-assessments and peer reviews (European Banking Authority, n.d.-h). In addition, the EBA uses other tools for assessing supervisory convergence and regulatory application. These tools are desk-based reviews, which includes discussions of EBA working groups and committees based on information provided from member states authorities, college monitoring, meaning the monitoring of significant banking groups’ implementation of regulations, and staff reviews of supervisory practices, consisting of interactions of EBA staff and member state authorities in order to obtain a deeper understanding of the implementation of the regulations (European Banking Authority, 2016).

Accordingly, the EBA is an authority that span over several areas, providing an extensive regulatory framework for the European financial market and banking industry. However, much of the work at the EBA and its supervisory task is channeled through the member states’ national authorities. In Sweden the main authorities are Riksgälden, Sveriges Riksbank, and Finansinspektionen.

Riksgälden (the Swedish National Debt Office)
Riksgälden plays a central role in sustaining stability in the Swedish financial system. It is an authority that answers to the Ministry of Finance. Its main task is to minimize the cost and risk of the financial system and financial management. Riksgälden’s main missions are to manage the Swedish national debt, to provide guarantees for credits and debts, and to handle banks in crisis (Riksgälden, 2017d).

Riksgälden can provide loans and credits to public or private actors, for example, in the area of infrastructure (Riksgälden, 2017a). Equally important, Riksgälden issues guarantees, both for credits and for pensions. One part of the guarantees is the deposit insurance that Riksgälden provides to bank customers that have deposits in Swedish banks (or other financial
institutions). For the banking industry, the deposit insurance is a vital function of Riksgälden as it guarantees that a bank’s depositors will be compensated in case the bank goes bankruptcy. The insurance is paid as a fee by banks and other financial institutions that are affiliated to the deposit insurance (Riksgälden, 2017b).

Riksgälden also protects financial stability by giving support to banks that are failing, or risk failing. Because of the particular role banks play in the financial system, bankruptcy could lead to severe disturbance in the financial system. In order to minimize such a consequence, Riksgälden has the mission of supporting banks that are at risk of failing (Riksgälden, n.d.). This is done in two ways.

First, they puts requirements on the banks, for example, in terms of minimum requirements for the banks’ capital and liabilities. In case of a bank failure, Riksgälden will use this capital and/or liabilities to cover the bank’s losses. This enables the costs of a bankruptcy to be carried by the bank’s owners and lenders, not by customers or tax payers. It is Riksgälden that sets the minimum level individually for each bank, and these requirements are in addition to the capital requirements that are regulated in the Basel Framework (Riksgälden, 2017e). These requirements may lead to higher financing costs, as the banks must use more expensive financing to reach the requirements.

Second, Riksgälden manages the resolution reserve. The resolution reserve is a funding reserve which can be used in situations when the aforementioned way of dealing with bank failure by shareholder and creditors is not enough to keep a bank out of bankruptcy. The reserve is built by fees from the financial institutions. Larger institutions are obliged to pay fee amounts that are adjusted to the risk they constitute to the financial system. Smaller institutions pay fees that are in accordance with a standard model (Riksgälden, 2017c).

A contemporary example of the implication of the regulations around the resolution reserve on banks is Nordea’s planned move of headquarter to Finland. According to Nordea, one reason for moving is the national regulatory framework, including the resolutions fee, which is stated as “…not being entirely adequate for the bank’s business model…” (Nordea, 2017). It seems that this regulatory framework could affect banks to the point of making significant changes in their business.
Sveriges Riksbank (the Swedish Central Bank)
Sveriges Riksbank, was established in 1668 and is therefore the world’s oldest central bank. It answers to the Swedish parliament and plays a vital role in ensuring financial stability and safe and efficient payment systems in Sweden (Sveriges Riksbank, 2018b). This role includes, for example, providing banknotes and coins to the financial system and providing an electronic payment system, called RIX, that enables safe and efficient payments between banks and other actors, such as clearing organizations and Riksgälden (Sveriges Riksbank, 2018a).

Sveriges Riksbank is also commissioned to maintain price stability. This is done through a policy rate, the repo rate, which influences the inflation and economic development (Sveriges Riksbank, 2018b). It is mainly through the repo rate that Sveriges Riksbank can influence banks, for example by the effect the repo rate has on the banks’ own deposit and lending rates. In short, banks can lend or place money in Sveriges Riksbank over a day. Sveriges Riksbank can, by monitoring the overnight rate on these loans and placements, influence the interest rates that the banks in turn give to their customers (Mitlid & Vesterlund, 2001). Interest rates from customers are a substantial source of earnings for the banks, so this effect is apparent for the banks.

Another way Sveriges Riksbank works for financial stability is to continuously do analyses of the financial system and provide recommendations to the Swedish government, the Swedish Financial Supervisory Authority and the Swedish banks for how to maintain or increase financial stability. This includes, for example, requirements on banks’ capital or liquidity reserves.

Finansinspektionen (the Swedish Financial Supervisory Authority)
A central regulatory actor in the Swedish financial market is Finansinspektionen. As noted, banks are not only subjects of auditing and are scrutinized like any other business by auditors and tax authorities; banks are also controlled and monitored by special institutions, specifically interested in the banking business. These can look differently in different countries, and in Sweden the inspection body is organized as one state agency: Finansinspektionen (Engwall, 2017).

Finansinspektionen’s role in regulating banks is evident; this becomes clear also in the statements of the branch managers of this study. When referring to regulatory actors, it is often Finansinspektionen that is mentioned, indicating that it is at the top of the branch managers’ minds. The
directives that Finansinspektionen provides determine the work, as can be illustrated by following quotes:

The rules we will never escape. If Finansinspektionen or the EU have said something, then we have to do that; we can never deviate from it. (Branch manager F)

If Finansinspektionen decide that it should be done in a particular way, then that’s how it is. (Branch manager H)

Finansinspektionen is commissioned by the Swedish government to supervise financial actors and markets, by working for stability and trust in the financial market and ensuring that the Swedish organizations’ and households’ needs of financial services are meet, and that consumers of financial services are protected (Finansdepartementet, 2017). This is done in three main areas (Finansinspektionen, 2017i):

First, authorization; banks need to have permission from Finansinspektionen (so-called bank charter) to offer financial services and operate on the financial market. A bank charter permits an institution to provide financial services but also obliges the institution to follow the regulations constituted by Finansinspektionen and to report to Finansinspektionen.

Second, rules and regulations; Finansinspektionen has statutes that all banks must comply with. For banking and credit services alone there are over 60 current regulations and general recommendations that Finansinspektionen supervises (Finansinspektionen, n.d.). For example, there are general regulations such as applying for permission to run a banking business (FFFS 2011:50, 2011), and regulations about amortizations of housing loans (FFFS 2016:16, 2016); regulations regarding the banks’ financial status, such as supervision and capital buffers (FFFS 2014:12, 2014) and requirements of liquidity coverage ratio and reporting of liquid assets and cash flows (FFFS 2012:6, 2012); and regulations that restrict the specific operations of the banks, such as regulation of financial advices to consumers (FFFS 2004:4, 2004) and regulations of control and risk management (FFFS 2014:1, 2014) (Finansinspektionen, n.d.).

Third, supervision; to ensure that the regulations are followed by the actors on the financial market, Finansinspektionen play an important part in supervising compliance. This supervision is done in three forms: ongoing supervision, investigations, and event-driven supervision. Ongoing supervision focuses continuously on the banks risk-taking and financial status. It also aims to ensure that the banks follow the regulations and rules. Investi-
In supervising banks’ compliance, Finansinspektionen must consider (observe, judge, and act on) how the banks design their control and risk management, and what financial resilience they have. Furthermore, the interplay between the banks and their customers, and the banks and their competitors must be considered, as well as how prices are developed and how the systems in the securities market works. Another important mission of Finansinspektionen is to supervise that banks and other both financial and non-financial companies follow the regulations which aim to prevent money laundering and the financing of terrorism (which in Sweden are regulated by two laws; The Money Laundering and Terrorist Financing (Prevention) Act (Anti-Money Laundering Act) (SFS 2009:62, 2009), and The Money Laundering Offences Act (SFS 2014:307, 2014) (Finansinspektionen, 2017g). Lastly, it must also be considered how more general economic developments interact with the banks and the potential effect this has on the stability of the financial system at large (Finansinspektionen, 2014). Thus, Finansinspektionen’s supervision is both extensive in its intensiveness (ongoing as well as event-driven supervision) and in its scope (from intra-organizational control to interaction with the economic system at large).

Regulation

Regulation is a subject of research in a variety of disciplines, such as political science, law, economics, management, sociology, history, etc. But what does regulation mean? One way of grasping it, if we assume that regulation is not a tangible, easy identifiable, object, is by viewing it as having three different meanings (Baldwin, Cave, & Lodge, 2012).

First, regulation is rules of conduct, which serve as direct commands for groups to (ideally, from a regulators perspective) comply with. This is a view of the state as having command and control by legal rules and sanctions (Black, 2002).

A second meaning of regulation is as a way for the state to influence behavior in a broader sense. This includes command and control, but also other ways to influence such as taxes, information supply, interest rates, de/regulation of markets, etc. (Baldwin et al., 2012).

Thirdly, regulation can have a further broader meaning when viewed as all forms of influence. This includes other bases of influence besides state-
based ones. Regulation through markets, self-regulation, or corporate reg-
ulation can also be given the meaning of regulation (Baldwin et al., 2012).
This understanding of regulation broadens its meaning from only being
about the direct laws and commands (the first meaning) to also include
other modes of influence (meaning two) and informal, unintentional regu-
lations (meaning three). For the sake of the focus in this thesis, regulation
will be given the first and second meaning, i.e. regulation is synonymous
with states’ (including official agencies, European Union) regulation
through command and control and other mechanisms of influence.

Banks constitute important actors in society, both for the individual citi-
zen and for the financial system at large, as they are key actors in private
persons’ and businesses’ consumption and savings activities. Consequently,
banks are subjects to regulations, and have been so historically. The history
of banking and banking regulation is a research subject in its own, and it is
beyond the scope of this thesis to make any deeper or more detailed account
of the history which has formed present regulation. However, one can con-
clude on a more general level that the degree of regulation and which regu-
lations have been imposed have varied over time (see e.g. Engwall, 2017).

A lot has happened over the last 30 years in terms of regulation of the
Swedish banking industry. Before 1980, the Swedish financial sector had
been under strict regulation since the 1950s; there were, for example, re-
strictions on lending which made it difficult to attract new customers as well
as meeting existing customers’ needs, and banks’ interest rates were settled
by the Swedish Central Bank (Jungerhem & Larsson, 2017). However,
starting from 1978 and ongoing to the 1990s a number of regulations were
lifted, for example, the regulation on deposits interest rates (1978), regula-
tion on lending interest rates (1983), regulation on lending (1985), and for-
eign bank ownership was allowed (1990) (Jungerhem & Larsson, 2017).
Before 1985, banks were regulated by ceilings about how much to lend to
customers and the deregulation resulted in a major increase of loans be-
tween 1985 and 1990 which has been argued as being one reason for the
crisis that hit Sweden in the 1990s (Stockenstrand, 2017a).

Some effects and consequences of regulation have been raised in Stock-
enstrand and Nilsson (2017). For example, Stockenstrand (2017a), as well
as others, discuss the fact that banks are becoming more similar each other
because regulation forces them to standardize and abandon unique work
processes. Another consequence discussed has been that banks might need
to revise their business model, because costs associated with tighter regu-
lation would force them to find new ways of financing these, for example by
introducing a fee for advice or similar services (Crawford, 2017). Also, for other reasons the banks services might change, as discussed by Jungerhem and Larsson (2017), as services such as money transferring and deposit boxes are disappearing. Although this is partly due to increasing internet banking, it also becomes more costly and demanding for banks to maintain these kinds of services. Furthermore, on the level of board of directors, local connection is at risk when demands on the structure and composition of the board force above all smaller banks to compromise on their boards’ understanding for local concerns (Elliot & Cäker, 2017).

It would seem that banks are totally in the hands of regulators and the EU, but Elliot and Cäker (2017) conclude that we should not view banks as passive recipients. Instead, they argue, banks indirectly impact regulations by “political lobbying” both on EU and national level as a way of influencing the regulations at an early stage. However, this would presumably apply to those larger banks who have the muscle and influence to make an impact on this level.

So, from deregulation (e.g. in the 1980s), global banking crises, and what is now a re-regulation of the financial sector, banks have been affected by governmental encroachments. Even in times of deregulation, banks are relatively heavily regulated, both for starting up their businesses and continuously through different types of performance control. This places banks in a group of companies called government guilds (Engwall, 2017). Government guilds are regulated both by entry control which regulates who can start a bank, and by performance control in terms of annual reports, auditing, and surveillance. Next, some central frameworks in the Swedish regulatory setting are presented.

Central regulatory frameworks

To be clear, there are several national laws that a bank must comply with, and that all businesses in Sweden must comply with, for example laws protecting the working environment (The Work Environment Act (SFS 1977:1160, 1977), or the Accounting Act (SFS 1999:1078, 1999). In addition to these there are both national and international specialized regulations which the banks must comply with in order to be permitted to operate. The regulatory frameworks that aim to affect the banking industry are complex, rigorous and consists of multiple areas of regulation, and in detail to describe each area is not necessary for the aim of this thesis. However, in order to provide a picture of the regulatory setting in which Swedish banks
operate, three examples of central national regulatory frameworks are outlined.

First, in order for a bank to operate in the Swedish financial industry at all the company must have permission to do so from Finansinspektionen, a so-called bank charter. With a bank charter, the bank has permission to conduct banking, but it also means that the bank is obliged to report to and be supervised by Finansinspektionen. This entry control is regulated by a law in which the criteria for the bank charter is stated. For example, as an illustration of how this law differentiates banking from other businesses, one criterion is that “the board must have adequate knowledge and experience to run the bank”. Another example is that the bank must, when the business is started, have a starting capital of at least five million Euros (if commercial bank or member bank), or one million Euros (if savings bank) (3 chap 5-7 §§ Banking and Financing Business Act, SFS 2004:297). These requirements for entering an industry cannot be found for private firms or even public firms and are, therefore, illustrative of the exceptional regulative context in which the banking industry operates.

The banks’ self-reporting is a substantial part of Finansinspektionen’s supervision of compliance, and a requirement for a bank charter. Table 8 is an outline of what Swedish banks are obliged to report. This table provides an overview of the extensive reporting that banks are required to make to Finansinspektionen.

Table 8. Finansinspektionen’s reporting requirements (in Swedish)

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Source: (Finansinspektionen, 2017a)
Second, there is a law that regulates consumer credits (SFS 2010:1846, 2010). This law includes, for example, which criteria must be considered when granting a credit, what information must be declared in marketing credits, and rules for loan terms, for example change of rates (Svenska Bankföreningen, 2017b). A considerable part of the banking business is credits and these rules, therefore, directly influence the banking business and stipulate considerable aspects of the banks’ processes, decisions and work content.

Third, a very much central and overarching law is the Banking and Financing Business Act (SFS 2004:297, 2004). This law regulates how to assess credits, what kind of operations the banks can perform, what kind of property the banks are allowed to have, rules for supervision, and many other aspects (Svenska Bankföreningen, 2017a). This law regulates multiple aspects of the banking business and has substantial implications for the banks, for example regarding products provided to customers, control systems, information systems, and reporting systems. Some examples from the Banking and Financing Business Act (SFS 2004:297, 2004), and implications of these regulations on banks, are outlined in the following section.

The law imposes on the banks the requirement to offer repayment conditions of credits that are in line with “a sound amortization culture” (6 chap 3 b §, Banking and Financing Business Act, SFS 2004:297). What a sound culture is, is not specified in the legal text. However, the outcome is that the banks must, by law, act to enhance a sound amortization culture, and therefore be conscious of how they design their products (credits) in order to do that. Furthermore, under the same paragraph it is stated that banks should act to minimize too high a level of debt in households. This also requires a consciousness by the banks in the products they provide to their customers.

It is also stated in the Banking and Financing Business Act (SFS 2004:297, 2004) what kind of services and activities a bank can perform. Although this is a rather comprehensive list of activities, the introductory sentences in this paragraph state that a financial institution is only allowed to conduct business that is financial services or operations that “have a natural connection to them” (7 chap 1 § Banking and Financing Business Act, SFS 2004:297). Consequently, this stipulates the banks’ activities and products they can offer.

The law also imposes requirements of control, measurements and reporting of risks, and require that the bank has an elaborated and satisfying intra-organizational control system. It is also required by law that the bank is
transparent in terms of structure and its connections to other companies. This has implications for the banks’ management control systems, as it is not only for the bank’s own sake or the owners that a management control system is implemented and transparent, but also for external parties, such as Finansinspektionen. The law not only requires that such a system shall exist; it also obliges the board to make sure there are written internal guidelines and instructions for how to comply with this rule.

Another example is the way the law sets conditions for the banks’ information systems, for example regarding information about customers or credit decisions. It is stated in the law that the information should be transparent and documented. The implication of this regulation is formalized documentation and information systems within banks.

The last example is about the implications for banks’ reporting systems. First, the banks are obliged to have internal reporting systems for their operational risks. Second, the banks are required to have reporting systems for employees to report violations (also called whistleblowing systems) (6 chap 2 a § Banking and Financing Business Act, SFS 2004:297). This is something which could possibly be desirable in any business of any industry, but in banking it is regulated by law that such reporting systems must be implemented. Lastly, it is stated in the law that banks must, on request from Finansinspektionen, report any information that the authority is interested in. Of course, this puts demands on the banks for having both elaborated information and reporting systems in order to meet such potential requests.

Because of Sweden’s membership of the EU, the arena of banking is wide and does not stop at the Swedish border. Not only have the possibilities for making business across national borders opened up, but also the influence of shared regulations and directives from the EU have increased. As the world has experienced a number of financial crises, the solution has been to increase regulation of the financial sector, and the EU and other global actors (e.g. The Basel Committee on Banking Supervision) has played an important role in that. Thus, in addition to national laws and rules, Swedish banks must also comply with international standards and rules. The EBA argues that a shared single rulebook for how to define regulatory issues and shared ways of calculating important ratios and measurements among the European countries is necessary for the transnational banking market to be transparent, resilient and efficient (European Banking Authority, n.d.-i).

As has been described previously, the regulatory framework from EBA is extensive. Still, there are other regulatory frameworks that have great influ-
ence on Swedish banks. A group of commonly debated and extensive regulatory frameworks is the Basel Accords, which is an EU directive. The purpose of the Basel Accords is to increase stability but also trust in the international financial system as the bank market has become an international issue (Öhman, 2017). The Basel frameworks are in themselves not law but standards and guidelines for national regulatory agencies to implement in their national regulatory frameworks. Sweden, among other European countries, has chosen to implement the framework.

The Basel Accords consists at the time of writing this thesis of three ‘editions’, Basel I, II and III. A Basel IV is developed and investigated but not yet implemented. Basel I was launched in 1988 and had the purpose of controlling the risk-based capital in banks and keeping it to the minimum (Kashyap, 2017). Basel II came in 2004 and was a revised framework and consists of three pillars. The first is a specification of the risk-based capital regulations which was introduced in Basel I; the second pillar is concerned with bank-regulator transparency and the banks’ capital adequacy and internal assessment processes; the third pillar also focuses on transparency as a way of promoting market discipline (Kashyap, 2017). After the financial crisis in 2008–2009, Basel III was launched in 2009 and is still today in the process of implementation. For example, these regulations require even higher capital requirements and liquidity buffers than previous frameworks (Öhman, 2017).

The Basel Accords, although comprehensive, are far from the only regulation that after the latest crisis have been implemented by the European Commission and thereby affect Swedish banks. Some examples are the Payment Service Directive (PSD II), and the Markets in Financial Instruments Directive (MiFID), to mention just a few. The European Markets Infrastructure Regulation (EMIR) was implemented in 2013 and aims to regulate the payment services which, due to mobile banking and the possibility for actors other than banks or electronic money institutions to gain permission to offer payment services, were considered necessary in order to safeguard the market (Crawford, 2017). Other regulatory initiatives from the EU have been the Packaged Retail Investment Products (PRIPs), the Directive on Alternative Investment Fund Managers (AIFMD), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Elliot & Cäker, 2017). Another package of guidelines which Finansinspektionen to a large extent has adopted is called GL44, which addresses top management and boards of banks and their action and level of understanding (Elliot & Cäker, 2017). Thus, these guidelines does not regulate the operation of banks per see, but
aim to influence the banks by requirements on the top layer of management and its board (European Banking Authority, 2011).

**SwedSec licensing**
The examples provided so far are regulations that are stated in laws, compulsory guidelines and powerful recommendations from Sweden and the international area of the EU. There are in addition to these also examples of regulating forces that are not constituted in law but still influence the banking industry and the banks’ management control. One such example is the license program provided by SwedSec AB that has increasingly been a substantial regulatory factor for the banks.

After deregulation of the banking market in 1980s, banks started to compete with financial advices. This finally raised the question of the quality in the advice, or rather the competence of the advisers. Consequently, a special association was founded in 2001, SwedSec Licensing AB (a subsidiary of the Swedish Securities Dealers Association) whose main purpose is to license financial advisers and through its disciplinary board supervise the quality of the advice (Jungerhem & Larsson, 2017).

The license consists of four different examinations, one for advisers, one for specialists, one for management and control functions, and one for employees working with mortgage loans (SwedSec, n.d.-b). The license for mortgage loans is the newest of exams and is one way for Sweden to handle the EU directive on mortgage loan agreements.

Because of the extensiveness in affiliated banks and other financial institutions, the licensing program shapes the industry. This means that, if a substantial part of the industry is affiliated, it will lead to that the way of being legitimate is also to be affiliated. In November 2017, 183 financial companies were affiliated to SwedSec and almost 22 800 people had some kind of active licensing (SwedSec, n.d.-a) (this can be compared to just over 9 200 in 2011 (Sjöström, 2011)). Not being part of the SwedSec affiliation signals that the institution is not serious about the matter.

Financial institutions affiliated to SwedSec, which is a self-regulating function, must license their employees in line with the SwedSec exams. This means that the licensing program also has a formative effect on the banks as the tests for licensing are standardized. The licenses for example standardize the bank clerks’ knowledge and what bank clerks inform the customer about in an advice situation or mortgage loan situation. It prescribes how to judge ethical considerations. In short, the licensing aims to affect the bank clerks’ work, and quality of the work, in a unidirectional way.
This, what seems a normatively driven regulation, does not only involve a cost to the banks (both in fees to SwedSec and in lost working hours) but also has implications for the banks’ management. For example, the criteria by which banks select and train employees is part of the organization’s management control (Malmi & Brown, 2008). It is likely that SwedSec licensing influences the training and employment in affiliated banks in order both to enable the staff to become licensed and to hire staff who are already SwedSec-licensed. Furthermore, for banks with multiple branches (e.g. Alfa Bank), it also influences the allocation of competence and staff. In branches with a small number of employees, the planning of having licensed staff becomes crucial.

Summary
The above description of the banking industry provides an understanding of the context from a regulative perspective. From this description, a number of inferences can be drawn about the industry, as a way of summing up the regulative setting in which the banks operate.

First, the regulative setting constitutes a formalized venue for the banks to operate in. The regulations as stated in laws, guidelines, recommendations, or licenses are documented, supervised and monitored by formal actors. Much of the banks operations, relations and products are by law formalized. It is worth noting that, despite the formalized character of the industry and regulative setting, this does not mean that this environment is totally stable and does not involve uncertainty. The regulative setting has been subject to notable changes, and above all increases in regulation, both at the EU level and in the national legislation. Paradoxically, although there is high degree of formalization and control in banking, there is great insecurity as to how regulations might, sometimes slowly, sometimes rather rapidly, develop and the conditions for the banks change.

Second, the regulated setting has a centralized character because there is a hierarchal order that imposes the regulation. EU statutes direct Swedish government because the Swedish government has agreed in order to be part of a common financial market. The Swedish government imposes these directives, and other national directives, through laws and assigns to Swedish authorities such as Finansinspektionen to supervise that these are followed and that financial stability is sustained. The banks, the last level of this hierarchy, are set to navigate in this regulatory setting and report their compliance to the authorities. This centralized structure entails a wide span of control as the number of banks reporting to each authority is high.
Third, control of the industry, which is the purpose of the regulations, is maintained through standardization of outputs and work processes, and standardization of knowledge and skills. The massive reporting of standardized requirements in a number of aspects from banks to authorities indicates outputs are standardized. Moreover, work processes are standardized through multiple regulations, for example the assessments of credit proposals, collection of customer information, and documentation requirements. Knowledge and skills are most obviously standardized through the licensing program provided by SwedSec, but also, for example, in the requirements of sufficient knowledge by board members and management positions.

Fourth, the banking industry, from a regulative perspective, involves strong power relations. From the outline of regulatory actors presented in this chapter it can be concluded that the regulatory actors have the authority to enjoin severe sanctions for banks that do not comply to regulations. This of course means a dependence on the part of the banks on the authorities. Not to mention the entry control which the bank charter entails.

Lastly, the regulative setting also contains goal complexity in the banking industry. It becomes quite clear in outlining the regulatory components that this is not an industry just like any other but one which has goals other than purely generating profit, e.g. compliance to prevailing regulation. However, as will be described in more detail in the next section, when unfolding some of the contextual conditions for banks, banks are also profit-generating businesses and this provides goal complexity for the banking industry.

5.1.2 Context
In the Swedish banking industry context there are multiple actors, both nationally and internationally. The customer group is diverse because almost everyone regardless of age, gender, level of income, etc. has a bank account. Most people some time in their life need some kind of banking service but the services that are needed by each customer also differ in quantity and complexity. In this section, the banking industry is described from a contextual perspective. Before the industry of banking and banking as business is described, different types of banks are outlined in order to provide an understanding for the structure of the industry; what kind of competitive actors there is and how they relate to each other. Next, banking is described with a focus of the business, for example by outlining what services they provide, what the nature of these services is, and what main income sources banks have.
Actors
In the Swedish banking industry there are a few different types of actors. First, there are independent savings banks which historically have been separated from ‘regular banks’ because of their focus on savings and their local connection. The area in which savings banks operate is often local and the association form ‘Sparbank’ is unique in that, instead of shareholders making strategic decisions, appointing the board, etc. at the annual meeting of shareholders, there are principals doing the same at its equivalent, the so called Sparbanksstämma. In Sweden there are 47 savings banks (Jan 2017), for example Westra Wermlands Sparbank, Lekebergs Sparbank, Sparbanken Gotland and Sörmlands Sparbank (Finansinspektionen, 2017f).

The savings banks in Sweden are like all banks regulated by the Banking and Financing Business Act (SFS 2004:297, 2004) but also by the Savings Bank Act (SFS 1987:619, 1987). This law regulates the specific idea of the savings bank, for example there are directives on how to start a savings bank, how to dispose the profit, and rules about the board’s composition and work.

Second, there are commercial banks, such as Swedbank, SEB, Handelsbanken, and Nordea, which are the four largest banks in Sweden. They are leading the Swedish market and also work on international markets, such as the Baltic States (Swedbank), Great Britain (Handelsbanken) and Finland (Nordea). Commercial banks are limited companies and are regulated under the Swedish Companies Act (SFS 2005:551, 2005) which is a general law for limited companies. It contains among other regulations rules regarding the foundation of the company, the company’s capital, and rules about revisions.

There are also commercial banks that are closely related to other companies, for example ICA Banken, MedMera Bank AB, Volvofinans, OK Q8 Bank AB. These are banking companies, which means that they are limited companies with a certain permission to conduct banking. Consequently, they are under the same regulatory frameworks as commercial banks.

Possibly a little confusing is the fact that several banks with the name ‘Sparbank’ (Savings bank) are actually commercial banks in their ownership form, for example Bergslagens Sparbank AB, Sparbanken Alingsås AB, Sparbanken Eken AB, and Sparbanken Skaraborg AB (Finansinspektionen, 2017b). These savings banks are limited liability companies, but their main owner is one or more savings banking foundations (Sparbanksstiftelser). Therefore, they are in practice closer to the independent savings banks than to commercial banks, although they are in fact limited liability companies.

In a historical perspective, commercial banks and savings banks have by law and practice been two rather different institutions. It was not until 1968 that Swedish banks had a joint legislation in the Banking and Financing Business Act (SFS 2004:297, 2004). Until then the commercial and savings banks where divided by different missions; savings banks were to focus on housings and commercial banks on businesses. In the Savings Banks Act of 1923, the saving banks had, unlike the commercial banks, limitations on deposits and borrowing were limited to the housing sector. Only minor changes in increasing the savings banks’ freedom were made in the legislation of 1955 (Körberg, 1999). The question of whether the two types of banks should share a common law or stay separated was investigated in 1962–1967 when the report suggested substantial freedom for above all the savings banks. As noted by Körberg (2006), the savings banks did not seem to oppose joint legislation; it would in their view increase the opportunity to compete and meant increased freedom. Today, the formal differences have almost completely vanished, although some legal differences still exist, for example in the laws regulating the association form (Swedish Companies Act for commercial banks, and Savings Bank Act for savings banks).

Thirdly, member bank is a minor type of bank; in April 2017 there were only 2 such banks registered in Sweden, JAK Medlemsbank and Ekobanken Medlemsbank (Finansinspektionen, 2017e). Just like savings banks they have their own law, the Member Bank Act (SFS 1995:1570, 1995), in addition to the Banking and Financing Business Act (SFS 2004:297, 2004).

In addition to these banks there are a number of other businesses within the financial system which are not considered as banks but provide similar or adjacent services, such as credit companies (e.g. Klarna, Svea Ekonomi), payment services companies (e.g. Paynova, Svea Exchange) (Finansinspektionen, 2017d), and consumer credit institutions (e.g. Nettofinans Sverige, Cash2you Nordic) (Finansinspektionen, 2017c). In the financial system there are also insurance companies, fund companies, securities companies, etc. Other businesses are registered as financial institutes providing financial services but do not need certain permissions and are without supervision from Finansinspektionen (Finansinspektionen, 2017h).

Lastly, there are some foreign banks in Sweden, but these are quite few. Besides Swedish banks, a small group of foreign banks operate on the Swedish bank market, Danske Bank is, for example, a large actor in this area. It seems as if banking is still a relatively domestic matter in terms of the
small number of international actors on the market. The majority of the
market is occupied by Swedish-owned banks: a contemporary illustrative
example of this being a delicate issue in Sweden is the move of Nordea’s
head office to Finland, which gave rise to protests and threats from Swedish
customers to leaving Nordea; some of these were large customers such as
several Swedish trade unions (Digréus & Gustafsson, 2017).

Banking
Banking represents 37 percent of the Swedish financial market, together
with insurance companies, fund companies, mortgage institute, and some
other minor actors. These together are responsible for 4.8 percent of Swe-
den’s BNP (Svenska Bankföreningen, 2017a). The banking industry in Swe-
den consists of a small group of large banks which has the majority of the
market share. Alfa Bank together with the other savings banks in Sweden
are small actors on the market; the group of savings banks has 10 percent
of the market share (Svenska Bankföreningen, 2017a). The large ones span
over the nation, whereas the smaller ones (savings banks and members
banks) are more locally bound.

Banks have three major purposes; redistribute capital from savings to in-
vestments and consumption; redistribute risk between different risk-adverse
individuals and risk-taking individuals; and providing society with a means
of payment, such as cash but also other payment system such as credit cards,
bank giro services or new systems such as Swish (Petersson, 2009). How-
ever, for the individual citizen, the banks are perhaps most associated with
institutions where one’s wealth is deposited and managed, and an institu-
tion where one can borrow money for private investments or consumption.
Either way, the banks play an important role both for the Swedish economy
at large and for the individual citizen. Hence, to be the customer of a bank
is in Sweden today taken for granted and it seems difficult to cope without
a bank account.

Banks have two types of customers: retail customers and wholesale cus-
tomers. In short, retail customers are individuals and households. Wholesale
customers are firms, municipalities and other organizations such as founda-
tions, or countries (Engwall, 2017). Because of the different demands and
services that the two types of customers request, they are often divided into
different divisions within the bank. Wholesale customers are regarded as
more complex and demanding than retail customers.

Nevertheless, the banks offer two basic services to both types of custom-
ers: deposits and loans, and asset management (Engwall, 2017). These basic
services are the core of how banks earn income. Deposits are the cash that retail customers pay into the bank through their bank accounts. Also, wholesale customers hold cash reserves in the bank’s accounts but also the handling of the companies’ cash flow is part of the deposit service (Engwall, 2017).

Loans is the other component of this type of service. Both retail customers and wholesale customers are given loans to finance housing, consumptions, cars, or the operation of their businesses. The amount of these vary, of course; wholesales loans are often considerable sums and riskier because the bank needs considerable knowledge about the project, financial conditions of the borrower, and prospects of the industry in which the borrower operates. However, retail customer can also pose a risk if, for example, a specific geographical area suffers from massive unemployment due to closure of a local firm (Engwall, 2017). In this case, the bank will have difficulty to get back their lent money. Other services that banks are offering are paying systems (for bills and wages), credit cards, and short terms credits (i.e. checking accounts) (Engwall, 2017). The fact that banks are guided by external regulations has been argued to entail a balancing act for banks between regulations and the bank’s lending strategy (Öhman, 2017). Where the bank’s lending strategy is made to comply with regulations, the bank’s cost and control system is used for loan assessments. Thus, ‘hard facts’ are emphasized in the loan assessment rather than more subjective, case-specific impressions formed by the loan officer (Öhman, 2017). While this supports compliance with regulations, it undermines other types of information that could be important for the bank’s lending strategy, hence pushing the bank into a more ‘hard fact’-based strategy.

The second type of service banks offer is asset management. Banks offer retail customers the ability to place their money in financial markets and advise them on investments. For wholesale customers banks raise financial resources from the stock or bond market, are involved in mergers and acquisitions, and buy and sell stocks, bonds, options, and other assets on the customer’s account (Engwall, 2017).

The character of the services offered by banks could be described in terms of two dimensions: relationship-based and transaction-based. Relationship-based elements are personal contact, trust, soft information and long-termness, whereas transaction-based elements are hard information, digital communication and the importance of price (Norberg & Stockenstrand, 2017). Norberg and Stockenstrand (2017) conclude in their analysis of bank ser-
vices that they all include both relationship-based and transaction-based elements, but for some services the relationship-based elements were more important, and vice versa. For example, advice entailed more relationship-based elements and less transaction-based element, and depositing cash was more transaction-based elements and less relationship-based elements (see Norberg & Stockenstrand, 2017, for a full account). They point to the complexity of banks collection of service, and the potential problem of implementing regulations that do not reflect the rationale (relationship- or transaction-based) of the service.

An interesting question related to the banking industry and the business of banking is how banks earn income. Engwall (2017) identifies three sources for banks to earn their income. First, they earn income from the difference between the interest they receive from lending money to their customers, and the cost they have in terms of interest on deposits and the bank’s own loans. Second, banks earn income when handling transmissions between customers, both in their own bank and between different banks. This way of earning income is called ‘float’, and can be by getting interest when lending withdrawn money in a transmission on an overnight market before depositing it on the receiving customer’s account. It can also be the cost reduction which is when the money still is in the paying account but the banks stops crediting the account interest, or vice versa, when the receiving account has access to the money but the receiving bank has not started credit interest for the money (often this is done a day after depositing the money on the account) (Lybeck, 1997). Third, the banking activity which include various kinds of fees for debit and credit cards, cash management and asset management, is an important income source for banks (Engwall, 2017).

Moreover, Engwall (2017) also identifies a number of risks that banks are facing. These include, for example, credit risk, that a borrower will not be able to pay back their loan, liquidity risk, that the bank does not have the liquidity to pay back deposits or their own loans, operational risk, that employees act fraudulently or speculatively, and systemic risk which is the risk that the bank is affected by other actors in the financial system (domino effects which we have seen in financial crises).

Banks can be described as having low horizontal specialization, i.e. that, although employees in banks to some extent have specialized expertise (private deals, business deals, insurance, etc.), within these they work with different customers (regarding age, economic situation, industry, etc.), and different services (loans, savings, pensions, real estate transactions, etc.).
not uncommon in banking that one bank clerk takes care of all of a customer’s banking needs. Furthermore, the industry is also characterized by low vertical specialization, because the work involves decision making. For example, when granting or rejecting a loan application it involves assessments of people and their financial situation, and a knowledge intensive work where knowledge about rather complex financial systems and products is needed and formalized, in order to be permitted to work at all in banks (cf. SwedSec license).

Summary
In this section, a description of the Swedish banking industry has been outlined in order to provide contextual understanding about of the actors and the business of banking in several respects.

First, the banking industry contains a homogeneous group of companies which are similar in their services, structures and customers (although there are some differences, for example in size, or customer focus). Because of the high degree of regulation that pervades the industry, for example the fact that there is a strong, formal, entry control that regulates which actors can and cannot be part of the market, there is little room for differences and competition unlike other markets. As Nilsson (2017) puts it, compliance with rules is a high priority for banks because they have many different actors controlling their compliance and the cost of not complying is large. This has an isomorphic effect on banks.

Second, if the regulative setting formalizes the banking industry, the contextual conditions, more specifically the service that banks provide to their customers, problematizes a high degree of formalization. Although the service is to a considerable extent formalized and more and more services are digitalized, leading to customers doing more themselves, there are aspects that are not. As the service is still partly based on a face-to-face interaction between bank clerk and customer, the service is not totally based on formalized processes. For example, mortgage transactions still often contain a personal interface. The personal interaction cannot be formalized completely. In addition, in some situations the banks could benefit from keeping the service as little formalized as possible, because customers may perceive it as inconvenient.

Third, although banks are often divided into different areas or departments, such as retail and whole sale customers, or different services such as insurance, cash, ordinary banking issues, etc., the services within these areas are diverse. For example, a bank clerk may handle a customer’s mortgages
but also their consumption credits, estate inventory, give them advice on savings, pensions, and services such as account opening, card administration etc. Furthermore, the banking business involves intellectual thinking and deep knowledge about the services performed. Significant decision making is also part of the banks clerk’s work.

Fourth, the environment which banks operates in is dynamic. For example, a great deal is happening in terms of how the banks interact and do business with customers through digitalization. The business of banking is sustainable over time, but with digitalization the way of interacting with customers is rapidly changing. Furthermore, an environment with extensive regulative pressure is presumable stable. However, the insecurity regarding when and how the regulations change, and the fact that the regulatory frameworks both change and are increasing, makes the environment not only a stable one but also dynamic. Technical developments and new types of competitors also contribute to this dynamic environment.

Lastly, as noted, the market contains several different types of actors. The larger banks have considerable influence because of their size, market share and importance for the Swedish financial system. This means there is a power structure between the large banks and the smaller actors on the market (e.g. savings bank, members banks) where the large banks have a greater possibility of influencing regulators or trends.

5.2 Alfa Bank

The aim of this chapter is, in addition to describing the banking industry, also to describe Alfa Bank. This is done by both overall aspects such as background, organization and characteristics, and the management control system and the use of it. The formal management control system is in focus and is based on branch managers’ and top management’s reports about the management control system at Alfa Bank.

This section also aims to provide an account of the branch managers’ attitudes to the control at Alfa Bank. This is done by sorting out assessments about the control and account for these as they are stated by the branch managers.
5.2.1 History and organization of Alfa Bank

Alfa Bank was originally founded as a merger in 1967 between two different banks (formed 1859 and 1858 respectively). During the years up to 2010, more mergers were made and a lot of the banks in Sweden went through some changes in form and ownership, for instance Alfa Bank was made into a limited company. In 2010, a savings bank foundation (at that time owning 52% of the shares) had the financial capability to buy all shares owned by another bank and is therefore today sole owner of Alfa Bank. Thus, Alfa Bank is registered as a limited company, owned by a local foundation (100% of the shares).

Alfa Bank is a full-service bank. It offers both private and business customers’ financial services, such as loans and credits, investments advice, saving services and other typical banking services. Of the eight branches, seven are banks offering comprehensive financial services to private and business customers. The primary focus of customers is local. The eighth branch (Private Banking) is specialized on customers with higher capital, who require special expertise in investments and saving options.

Alfa Bank is a divisional organization, where each branch represents one division. Alfa Bank is located in central Sweden, having eight branches placed in eight smaller communities. The total number of fulltime posts at Alfa Bank at the time of this study was about 60 (varying between 65 and 60 for the time of the study 2014–2016), distributed across 72–67 individuals (2014–2016) at eight branches and head office. At head office top management and departments such as accounting, HR, credit department and marketing are located. These departments are to support all branches, i.e. each branch does not have their own accounting or HR department. The top management team consists of the CEO, vice CEO, CFO, credit manager, HR manager, and two branch managers from the two largest branches. Each branch has one branch manager, responsible for their branch. It is these branch managers who have been the subject of interest in this study (the manager of Private Banking not included). The branches vary in size (number of employees) and distribution of staff (private, business, customer service). Of the eight branches, one (in this study called branch F) was founded relatively recent, in 2012.

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4 This description is based on testimony by Alfa Bank’s top management and information from Alfa Bank’s webpage and annual reports.
At Alfa Bank, there are few hierarchal levels; between the CEO and any other bank clerk there is only the branch manager and the operational manager. The scope of control, i.e. how many employees a branch manager is superior to, is 5–15 employees, but this is a somewhat difficult question. After a reorganization at Alfa Bank, a branch manager can be manager over more than one branch. But, it is also the case that some of the branches are so small that the same employees work at more than one branch. In that way, it is easier to allocate the employees where the need is. Another disturbing circumstance is that after the reorganization the operational manager is also branch manager. This makes the hierarchal levels even more intricate.

Several of the branch managers interviewed describe Alfa Bank as a flat organization with closeness to top management, both for themselves but also for their staff at the branch.

It would be a completely different thing if you work in a big bank, then you wouldn’t call the CEO about a matter; here you call [top management] just checking or “now we have this in pipeline”, so it is a closeness in another way I think. (Branch manager D)

Between me and the CEO there’s one person and then there are two people between my employees and the CEO. And there is nothing saying that my employees can’t call directly to the CEO and say that “this is not working” or something like that. (Branch manager C)

A general perception among the branch managers is that there is an easy and informal communication between them and head office. It is not rare that the branch managers themselves call the CEO or perhaps more commonly the operational manager or the HR manager, often because they have a question about how to handle a matter or just to inform what happens at their branch.

Both top management and the branch managers see the role of the head office as a supporting function for the branch managers. When there are questions that the branch managers cannot resolve themselves, because they do not know how to resolve them or just need support in discussing different options, head office can provide expertise in the matter. However, this does not mean that head office takes decisions for them; the responsibility of the branch is on the branch managers. Another role head office has is to be updated on new regulations imposed on the bank from governments and inform the branches about these. This role is more about demands than
support, because the branch managers are obliged to adapt to the new regulations, but it is also they who need to understand how the new regulations affect the bank.

Alfa Bank has characteristics of professional bureaucracy. Although the profession of a bank clerk or a bank branch manager cannot be likened to the profession of a doctor or lawyer in terms of education, and Alfa Bank can hardly be described as an ideal type, the decentralization of decisions and discretion down to the branches and also to the bank clerks together with reliance on the employees’ knowledge and competence in solving work tasks, indicates elements of professional bureaucracy. However, the regulated context and the formalized character in significant parts of the work also indicates a more machine bureaucracy type.

Because of the different stakeholders, there is quite a high goal complexity at Alfa Bank. First, while Alfa Bank is a savings bank with a foundation as owner, they still have yield requirements to this owner. These are like any limited company a financial goal which directs attention to the financial profitability of the bank. However, this is not the only goal that Alfa Bank considers. Of course, they act in a competitive market, so customer satisfaction is an important goal, both for the very survival of the bank and for leading to higher profitability. Furthermore, regulation compliance is an urgent goal in order to keep the bank charter, and these goals can be conflicting but also reinforce each other.

5.3 Management control at Alfa Bank

In some way, I mean, you have all these frames and you have all these rules, very clear regulations, but inside of these in this little part that is left, there you can be quite flexible really, creative, and find solutions that are specific to the customer. But everything around is very rule-based. (Branch manager B)

Before going into details about the control system, some general descriptions can be made about the control at Alfa Bank. Decentralization of the branches is an important concept at Alfa Bank, and has influenced how top management has designed the management control system. The decentralized approach at Alfa Bank means that all decisions regarding operational work are delegated to the branch managers. This includes granting credits and loans, deciding on opening hours, distribution of staff within the branch, etc. The idea is that each branch manager is responsible for all aspects of the branch, both in planning and formulating goals and strategies
for the branch, and for the outcome. Top management’s underlying belief is that, in order to run each branch as well as possible, and to keep a focus on each branch, the local conditions of the branch need to be considered. This is thought to be done if the branch managers have freedom to plan the work and make decisions suited for the conditions of their branch. This decision mandate does, however, have some restrictions, for example in terms of limits on granting credits or hiring staff. The authority is restricted primarily when the decision involves higher amount of money or risk. For example, there is a limit on high credits and loans: above a certain amount the branch managers do not have authority to say yes without getting clearance from top management. Hiring additional staff is also something that needs to be sanctioned by top management, even though the process of hiring is performed by the branch managers.

In describing the management control at Alfa Bank, Malmi and Brown’s (2008) management control package will be used in order to categorize and make visible the different control systems working together and simultaneously at Alfa Bank. It consists of five types of controls (see Chapter Four for an outline of the framework). The framework is here used as perspective from which the data has been addressed, but also as a frame for structuring the remainder of this chapter. First, administrative control at Alfa Bank is presented because this mainly consist of regulations which have a profound role in the control of the bank. Second, the most central control tool at Alfa Bank is presented, namely the business plans, which is part of the bank’s planning control and cybernetic control. Lastly, cultural control and reward and compensation is shortly addressed, however these are minor parts of Alfa Bank’s control system.

5.3.1 Administrative control
Administrative control in terms of policies and procedures at Alfa Bank consist mainly of regulations and laws. The level of formalization is high in the bank. There are high demands on formalized decisions, formalized advisories to customers and high degree of action control.

The degree of standardization at Alfa Bank depends upon the task. Some tasks are more standardized, such as deposits, withdrawals, opening accounts, and parts of the loan process. However, other aspects of the work cannot be standardized, because they must be adjusted to the specific customer. Corporate customers are more difficult to standardize than private customers, because corporates are more complex, for example when it
comes to assessing creditworthiness and documentation of the business. Overall, the products offer by Alfa Bank have low standardization.

There is an independence between the working tasks at Alfa Bank. This means that, what one bank clerk does, what advices they give, how they discuss the loan terms, etc., will not directly affect another bank clerk’s work. Indirectly they are affected by each other because they are part of the same organization and if one makes a really bad deal or neglects rules this can, of course, affect the branch and even the organization as a whole, but there is no direct interconnection between tasks. Another aspect of this is that the bank clerk does a majority of the work that is related to a customer, from loan discussions to compilation of loan acts, to opening and closing bank accounts. This also leads to less dependence within the organization. In some other banks for example, the compilation of loan acts, making sure they contain the right documents and are of good quality, are the responsibility of a particular department but this not how Alfa Bank have chosen to organize.

Policies and procedures
A considerable control element at Alfa Bank consists of regulations which influence the branch managers’ work. The branch managers feel that what is limiting them and setting boundaries for their work is, in addition to the bank business plan, the rules, standards and procedures that are required by national and international agencies. The regulations are a considerable part of the control system at Alfa Bank as they pervade the operational work.

First of all, as described previously in this chapter the banking industry is characterized by extensive regulation, so there is no surprise that this also applies to Alfa Bank. Regulations in this context are rules, directives, standards and laws that control the banking practice. These regulations come from government agencies (e.g. Finansinspektionen, the European Banking Authority) which have the authority to enjoin Swedish banks with requirements that affects their operational work. Financial service firms in Sweden have to have permission for their business from the Finansinspektionen. Hence, the financial service firms need to follow the regulations and general guidelines stated by Finansinspektionen in order to be permitted to offer financial services (Finansinspektionen, 2018). The regulations are national or internationally imposed, and there is no room for adaptation to the specific branch. These must be complied with in order for Alfa Bank to keep their bank charter (i.e. permit to run a banking business). Regulations are
something that each branch needs to adapt to and that directly influence their work and how they run the branch.

Much of the regulations are, as previously noted, the same across the banking industry. There are some exceptions, but overall the regulatory framework is the same for all banks on the Swedish market. This does, of course, have implications for the policies and procedures at Alfa Bank. Not only does it limit the possibility for top management to have full discretion over the business, it also means that the branch managers sometimes feel limited by the extensive regulation. Independent of whether it is the bank, the specific branch, or the local market that has problems that is supposed to be limited by regulation, the regulations still constrain how the branches can act.

In addition to the control described above which in a rather direct way affects the branch manager’s work, there are also laws and regulations that affect the branch managers indirectly through top management. This influence of regulation and laws from governmental agencies goes through top management in the form of, for example, management accounting, key ratios, and direct orders or policies. This is also part of Alfa Bank’s administrative control; top management sets boundaries and directs behavior through task procedures and instructions on how to perform tasks (Malmi & Brown, 2008).

An example of this can be illustrated by the new regulatory framework, Basel III. A new regulation framework, called Basel III, has started to be implemented in Swedish banks after directives from the European Union (EU). Due to the financial crisis that began in the late 00s, a tighter regulation framework to strengthen the banks’ ability to withstand losses and risks was called for (Sveriges Riksbank, 2011). Without going into too much detail, Basel III is about how much and what kind of capital a bank must have, and how to calculate risk weight assets. This means that, at a bank level, the bank is highly regulated regarding requirements on capital and liquidity. At Alfa Bank, the branches do not have capital of their own; the bank’s capital is at bank level, i.e. it is top management who supervise and monitor the capital. However, the balance in capital and the actions that must be taken in order to keep to the regulations clearly affect the branches:

When we lend money to individuals, we can choose to use [another external mortgage] or put it in our own balance sheet, and if we put it in own balance sheet, we earn more. But, that is one of those typical decisions that top management must take, because they see the big picture. (Branch manager B)
All of a sudden perhaps, we lend way too much money from our own portfolio to home loans that our ratios towards FI become distorted. Well, then we need to turn in one day and put the transaction in [the external mortgage]… (Branch manager A)

Depending on where to place the mortgages, the branch’s earnings will be affected because, when external mortgages are used, the earnings on that deal are shared between Alfa Bank and the external bank. The Alfa Bank branch will in these cases earn less. Whether or not to put the mortgage on Alfa Bank’s own balance sheet is up to top management to decide.

The managers seem to not have the information to foresee the event of this change, and even if they had, it is not their job to monitor and take the decision regarding where to place the loans. The branch manager (A) continues:

But we earn less money because [the other bank] must steal a piece [of the earnings]. And that is an external impact and it comes from above and they (top management) keep track on how weighted our own portfolio is; what it costs and how much we can lend. And it is just to accept the situation but it is really tiresome [when we want to earn more money]. (Branch manager A)

The branch managers have neither the mandate nor the information to make decisions or adjustments to the current situation about how to balance the capital according to Basel III. They need to follow the directives from top management even though this directly affects the branches’ earnings.

When the branch managers meet with customers, regulation in the form of requirements of formalization and documentation is very much present. Independent of how well the customer is known, or what the business relationship between customer and bank is like, some procedures must be implemented and complied with. Such routines or procedures may contain questions to ask and specific forms to be filled in. The amount of documentation and formalized processes can be perceived by the branch managers as unnecessary or leading to longer processes.

However, the regulations and rules seem not only to be surrounded by negative attitudes and critical perceptions; there seem to be quite different perceptions about the impact of regulations. As noted before, perceptions about regulations are mixed. For some branch managers at Alfa Bank the existence of regulations is perceived as rather natural and necessary for the entire bank sector:

It’s like a rulebook, you can say. It’s like playing soccer, I guess, where you have rules to follow. You can’t run up into the stands and sit awhile and take
the ball under your arm and run down again. No, it’s good [do have them], I suppose. (Branch manager E)

Branch manager E concludes that questions about regulations and how they affect the work is not something that is thought of that much, because it is so natural and a way of doing business that they are “stuck in”. Furthermore, regulations are talked about as a kind of a quality control, which guides the branch managers in assessing the quality of the work.

Although many of the regulations are the same for the whole banking industry and also shared internationally, there are aspects where this is not the perception of the branch managers. In some respects the regulatory setting is not perceived as being the same for all actors that provide financial services. A fairly new actor in Sweden is companies providing loans where the customer applies for and is granted the loan by text messages, so called SMS-loans. There are perceptions at Alfa Bank that such companies are not supervised to the same extent as they are, which may cause frustration.

It can make you a bit frustrated sometimes. I mean that [we are] so damn regulated. But that’s not a problem in our organization; it’s the relation to FI and other actors that is a bit more hesitant. (Branch manager C)

Some statements that stand out is when the branch managers seem to have no clear perception of the regulations, or the regulative frame which they must relate to, as either strongly positive or strongly negative.

When new rules appear, it is always like “but why?” [...,] it is only a question of putting up with it. (Branch manager B)

Well, at some point you’ve come to ‘it is what it is’; you don’t spend any energy on it because it serves no purpose. Here you have to work with the things you actually can affect... (Branch manager C)

[The regulations from FI] we can’t influence very much, so it is only a question of dealing with it. Even if you think that some things are tricky or there are LTVs to the right and left, and amortization requirements and wonder how they think when they put amortization requirements on housing instead of consumption loans that increase like a snowball with SMS-loans and all that. That they don’t do something about that; well, I can think whatever I want about it but it is what it is and you have to relate to it and work with it. Because how ever much you complain, it will not change anyway. (Branch manager D)
This illustrates the fact that positive and negative perceptions are not the only way to understand perceptions of control. Interestingly, it is quite difficult to categorize the statements as either positive or negative. The above quotes show that, for example, accepting the regulations even though new rules might be seen as another constraining level, constitute a more multifaceted way of perceiving control. The fact that regulations are at a contextual or regulatory level and therefore not easily (or at all) influenced makes the branch manager feel that spending energy on the regulations is unconstructive as it makes no difference. As Branch manager D says in the quote above, nothing will change whatever they (the branch managers) think or feel about the regulations. Hence, accepting and work with the conditions given seems to constitute a substantial way of relating to regulations.

Another part of the policy and procedure control at Alfa Bank consists of routines. One such routine is reviewing, for example, documentation, assessments of loan proposals, cash handling, in order to make sure they are compliant with regulations and are of good quality. This is, according to the branch managers, an extensive part of their work.

It is about reviewing loans, review advisory support; we are to make checks on the cash vouchers, we are to check the cash desk regarding routines around cash and all those parts, so there are a lot of things that need to be done. It is security at the branch, security reviews, so it is very clear what we must do and how often. And that is the administrative part that takes some time but it is important that it works. Because, it is how we see the quality in our advisories also, in our loan documents. (Branch manager D)

The reviews are, in turn, audited by the bank’s audits, making sure the reviews are being performed, and performed in an adequate way.

We also have routines that we follow up at the first level, as we say, and then we are being followed up by our compliance company, and then they are, what they have done is in turn reviewed by external auditors, so it becomes several levels, and that is good. It is easy to... Because there is that much, it is easy to miss something. (Branch manager H)

Apart from the fact that the branch managers are required to perform these reviews, they are free to carry out the reviews in ways they see as most suitable. Yet, when meeting with the auditors, they (the auditors) can have an opinion about how the reviews are being performed which the branch managers must adjust to. Furthermore, the reviews are not something the managers can choose or not choose to do.
Another type of routine is of a more operational type. The branch managers have a high degree of empowerment in how to structure the branch and how to perform the work routines (except routines that are imposed by the authorities). This applies to opening hours and procedures, how to manage the customer service desk/cash desk, routines for meeting and information, etc. If the routines do not fit the circumstances or are not usable, the branch managers have the authority to develop them as they think fit. Instead of turning to superiors (i.e., top management) when a routine is not working satisfactorily, the branch managers can work out a routine that is better suited. Then top management only needs to be informed of the proposal for an “OK”. This is not only seen as a privilege but also a demand; the branch managers cannot presume that top management will ‘fix’ or deliver solutions to issues in work processes. However, top management has the role of discussion partner with great knowledge of the banking business and which regulations to consider, so the interplay between top management and branch managers in this respect is important for this part of the management control system.

Governance structure
The decision mandate is part of the bank’s governance structure and therefore belongs to the governance control in Malmi and Brown’s (2008) management control package. The decision limits set a boundary for which loans and credits the bank clerks or the branch manager can grant themselves and when the decision must be passed up in the hierarchy. Decision limits come to action in certain deals when there are large amounts, or when there is deficiency in the calculations. The limits are fixed and when a deal exceeds the mandate, the branch managers have to pass it on to a higher level in the hierarchy. Limits in decision mandate are the main reason the branch managers turn to their superior.

When there is a little deficit in the calculation and the reasons for that are judged by the branch manager to be temporary, the manager can consider the transaction as something they should take on, but cannot make that decision alone:

Our instructions, especially regarding loans where we have clear instructions about what we can allow and what we can’t, of course in some cases where there is a little deficit in the calculation […] I am not allowed to take that decision and then it needs to go further. (Branch manager D)
And then it can become a bit cumbersome and processes a little longer when I think that it is so obvious [that we should take the business]... And sometimes you feel that “this is so clear” and then you wish you could push the button by yourself really. In those cases, you can feel a bit limited when you think it is so obvious. (Branch manager D)

I might think that a transaction is clear as a bell, it is just a matter of taking it, we need to be part of this, and I can’t say it straight out to the customer because it is one million too much. I can say to the customer that I am interested, “yeah, but I want an answer” [the customer might say], “well I need to…” (Branch manager A)

The final decision regarding the business when it is taken by the operational manager or the bank delegation is separated from the local operations of the specific bank branch and market. Knowledge about the specific customer is an asset for the branch managers and that the decision sometimes must be taken at a higher level, distant from the local knowledge about the customer, is sometimes an obstacle.

On the other hand, the decision mandates also seem to be perceived as positive. The size of the mandate is expressed as extensive and “big enough” for most situations. When the branch managers turn to top management regarding a specific question where their decision mandate is too small, this generates good discussions about the issue. Even though it is rare according to the branch managers that they and top management have divergent opinions, the dialog may work as an “eye opener” and provide a new perspective on the issue.

5.3.2 Planning and cybernetic control

Bank business plan
At Alfa Bank an important control element which the bank puts significant time and effort into is documents consisting of the business plan. The business plan is made up of two parts. One part is the bank business plan, the other is the branch business plans (which is described in more detail in the next section).

The bank business plan is planning for the whole bank, giving a holistic perspective on the organization. It is general in that it includes plans for the whole bank, i.e. all eight branches in total. Thus, this planning serves the purpose of setting direction for the bank as one unit, although the branches are quite diverse regarding, for example, size and market. It is a tool of control which top management together with the board of directors sets up
for each year. In this document, top management in cooperation with the board communicates strategies, contextual and industry analyses, and financial objectives at bank level. It contains both a strategic analysis and plan; where the bank is analyzed in terms of industry and environment and the bank’s general strategies are communicated, and a part where objectives, both financial and non-financial, are described. Objectives are set for the bank as a whole, and are also expressed at branch level. These objectives are not specific to each branch, but express on average targets for the branches if the objectives at bank level are to be met. The idea is that all objectives that are set and measured at bank level should also be set at branch level. The bank business plan is planning control, long-range planning in Malmi & Brown’s (2008) typology, because it consists of goals and action plans for a longer period. The bank business plan ranges over a time period of three years.

Developing the bank business plan is a process which includes more than top management and the board, although they are in charge of the process and the final plan. As of the time of this study, the process for developing the bank business plan included a couple of days on October where the top management team met all the branch managers so as to discuss a proposal for the next year’s bank business plan. This was to include the branch managers into the process and to make sure everyone was on board with the new business plan and felt that they had their say in what would very much guide their work and further planning of the branches. This was something that many branch managers appreciated and they emphasized that this led to the bank business plan not being a product imposed on them in a top-down manner, but rather something that they could genuinely support and pass down in the organization.

The bank business plan does not only serve as an overall plan for the bank, but also as a foundation for the second part of Alfa Bank’s planning control, the branch business plan.

Branch business plans
As an extension of the bank business plan Alfa Bank also uses branch business plans to control the organization. It should be noted that, although the branch business plans are separate documents from the bank business plan, the two are very much interconnected. The bank business plan contains objectives for the branches, but these are general and rather uninformative for control of the operations. The targets are expressed in averages and the bank business plan does not say any further how the branches are to work
to reach their targets. In addition, the bank business plan does not consider the different conditions for the branches to reach these targets. The bank business plan works therefore as a frame from which the branch managers construct their own, specific, branch business plan. The branch business plan is based on the bank business plan in order to secure that the objectives at bank level are achieved. Thus, all the branches’ results sum up to the bank’s results. As a consequence, the same key performance indicators are used in the branch business plans as in the bank business plan, and this is not something that the branch managers can choose to deviate from. However, the content of the branch business plan is to a large extent in the control of the branch managers.

During the time of this study, some changes were made regarding the branch business plans. This change was derived from a reorganization of the branch managers and how the branches are related to each other. This change, which in short merged some branches together, means that, instead of one branch business plan for each branch (i.e. bank office), four of the smaller offices are linked to two of the larger branches. Hence, after reorganization, three branch business plans are developed: one including four branches, one including two branches, and one including just one.

Similar to the bank business plan, the branch business plans are developed with great input from the employees. Most of the branch managers emphasized the importance of checking with the employees at the branch before determining on a business plan. This is because they do not want the branch business plan only to be a paper product which has no support among the employees performing the work. One branch manager also said that this was because, as a branch manager, it can be difficult to completely understand and have insight into all the business that is going on at the branch and therefore the employees must get the chance to contribute to the developing process. The branch managers describe the last time the business plans were developed like this: in a first step, all branch managers met with a moderator and top management, discussing strategies and how to reach the objectives of the bank business plan. The business plan at bank level was already produced by top management together with the board, but how to meet these objectives at an operational level was discussed between the branch managers. With this the branch managers gained an insight into the context of their work in relation to the other branches. This was seen by the branch managers as contributing to consensus between them. A second step was to transmit this down to branch level. In that step, the staff at the
branches were included in the discussion about the branch business plans. One branch managers expressed the importance of this:

All staff are involved in the construction of the business plan so that it does not become a product that I have made and then ‘Sonja’ here says ‘this does not work, this is not how reality is’. (Branch manager E)

In contrast to the bank business plan, this is a check on short-term planning and action planning because the period of the planning is shorter and in more detail. Action planning is done for about a 12-month period, and goals and action directives have a tactical focus (Malmi & Brown, 2008). At Alfa Bank short-term planning is made up by each branches’ business plans. These are made for each year, containing financial objectives and operation planning for the branch. This aims to answer what should be accomplished during the current year and how, i.e. what activities and tactics are predicted to help achieve this. The branch business plans contain descriptions of the local branch and its market, customers, etc., as well as financial and non-financial targets and measures. It also work as a tool for action planning (Malmi & Brown, 2008); the branch managers can use the branch business plan to formulate activities and actions during the year, both serving as guidance for achieving objectives and as a plan for the branch in general.

These plans are important for the branches and a strong link between the branches and head office. One significant aim of the branch business plans is to incorporate the local environment and local conditions into the management control system. By allowing, and demanding, that each branch manager make their own business plan based on the bank business plan adjusted to market, size, prospects, etc., objectives and strategies are refined by the managers who have the most knowledge about the local community and their customers. This is the very idea with branch business plans, that the ones close to the customers and market are the ones who should plan and set targets for that branch. However, the branch plans must correspond with the bank business plan and be approved by top management.

Overall, the branch managers had positive attitudes to the business plans, especially how these are developed. Also, the usefulness of the plans in their daily work was regarded as positive although with some variation in accentuation. Some were more enthusiastic than others about the branch business plan; one branch manager expresses a special closeness to it:
...this is my bible; this is what I’m working from. And here I have my activity plan; I know what to do each month. I might do it completely differently from the other branches [...] everybody does it in different ways. (Branch manager F)

Although this statement can be seen as far-out, the branch managers at Alfa Bank seemed to appreciate the hands-on approach to the branch business plan and the power they had over its outcome. Potentially, this is why the change in the organization sparked feelings about losing some of the control when one’s branch was to be merged with another branch and thereby not solely responsible for the branch business plan.

Next follow some illustrations of the branch business plan as regards how the branch managers can use it for planning of strategy and orientation, the development process, and the discussion approach that pervades the plans.

**Strategy and orientation**
The branch managers formulate strategies to match the strategies and objectives in the bank business plan, but at the same time consider the specific situation their branch is in. This permeates the strategic focus and orientation of the branch; for example, one branch manager had an idea that the focus of the branch should be on corporate customers due to the local market, age of the branch, and customer behavior, and therefore wanted to make some changes in the staff. This was possible thanks to the approach top management have towards the branches. This was a rather large change, so in this case the idea needed to have the support of the top management team and the bank’s board, but the approach to the business plan is that it needs to allow for optimizing performance from the specific market the branch operates in. Thus, knowledge of the local market and conditions for the branch is found to be important in working with the branch business plans.

Some major headlines must be included in the branch business plan, but the branch manager has a lot of freedom to add information they think helps the branch towards the objectives. Some branch managers are very detailed in their branch business plans; others are less detailed, but all branch managers state that this is a useful document for their own work.

**Developing business plans**
As described above, the business plan consists of two parts; a bank business plan and seven (three after reorganization) branch business plans (one for
each branch/branch group). All the branch business plans add up to the bank business plan. Having all the branch managers construct their own branch’s business, the branch managers are forced to see the bigger picture and how their branch relates to the other branches. By having access to the other business plans, and also the other branches’ results, they can compare and see how their branch fits into the whole of Alfa Bank. Alfa Bank does not work with detailed budgets, but some key numbers are included in the business plans, both financial and nonfinancial.

To understand what is affecting the key numbers and the branch result and how to manage activities for goal achievements is crucial for the branch managers to master the work and to control the branch. This is partly achieved by working with the business plans and the system of making each branch manager responsible for the branch result. The branch managers are responsible and, therefore, have access to information about the branch’s financial result. This is thought of as being positive and helpful in running the branches.

I get the branch’s result, regarding both balance sheet and income statement and it is me who works with it […] it is me who must immerse myself and see why these numbers is like this, how can I affect it and what can I do to make it better. And it is super fun! (Branch manager F)

As the branch manager above state, the branch business plan is a tool for the branch managers to understand what has happened and why and find opportunities for improvements. Other branch managers also express that the possibility of adapting the business plan to the conditions of the branch provides them autonomy to control the branch as they think is suitable.

Like this RWA [a key ratio in the business plan], if you understand that ratio then you understand that, if you lend everything without security of course, you will get a bad RWA. If you have everything on mortgage, well then it will look a lot better. It is no harder than that. (Branch manager B)

Some ratios we can’t influence fully, especially in the corporate department where we are dependent on how a [customer] company works. We grade all companies […] and then there are a lot of factors which we can’t influence really, it just happens, and then they get a risk class and they draw a certain amount of capital. And then a year goes by and something has happened and it got a lot better and they draw less capital, even though we haven’t done anything really. It’s a reality we need to live in; we need to be active and understand how it affects us and why it can affect us. (Branch manager B)
Obviously, the branches are affected by things that are controllable by the branch managers, but also things that are out of their control. Often, these are closely related, such as the example given in above quote where a customer’s situation can change their initial grading, caused by uncontrollable factors. In contrast to the given example, it is also possible that the situation might get less fortunate, affecting the branch in another direction.

The possibility of developing the branch business plans from the vision of each branch manager is thought of as important for being able to make the branches better:

…if we work like this, give me two more years and we will be really profitable because, if I can shape this as I want and you listen to me, and I can do it by my ideas then this will be great […] And if I can do what I want, within certain frames, then this will be really really profitable. (Branch manager F)

The development process allows the branch managers to have visions about how to make the branch profitable and implement this through planned activities.

The development process and use of business plans seems to play a significant role at Alfa Bank’s management control. In addition, the branch business plan appears to be surrounded by a discussion approach from top management.

**Discussion approach**

The bank business plan consists of objectives for four years ahead. The branch business plans are created once a year, but consist of objectives only for the forthcoming year. However, a picture that emerges is that the branch business plan is a “living document” and it is packaged in dialog, discussion and almost negotiation. This was apparent not only to be in the development process but continuing throughout the year.

Top management sets the bank business plan, its content and targets, and there is no involvement from the branch managers. When the branch managers thereafter create the branch business plans, some things are set, such as which key numbers and performance measures that need to be included. On the other hand, the process in which the branch business plan is created is a lot about discussion with the other branch managers, but perhaps especially with the staff at the branch for increasing the commitment to the business plan. Several branch managers have stressed the importance of commitment from the staff to the business plan and this has increased due to the discussions before and during the development of the business plan.
The discussion approach is not only encouraged between the branch managers and between the branch manager and staff at the branch, it is also encouraged between the branch managers and top management. Regular meetings and follow-ups to discuss branch results and future targets for the branches constitute ongoing discussions where top management is also involved in the process over time. The way the branch managers and top management interact regarding the branch business plans can sometimes suggest that it almost becomes a negotiation where the operating manager’s top management perspective and understanding for the whole bank is set against the branch manager’s local knowledge and experience from the branch. Finding targets that are acceptable and reasonable both from the perspective of top management and from the perspective of the branch manager is of greatest importance.

As noted, this has been shown to be not only in the initial development part of the process; at Alfa Bank experimentation with the branch business plans and their targets continues after the plan is agreed upon. That is, even after the branch business plan is “completed”, the discussions about the plan continue through the year:

Even if the objectives are set now you have a discussion about it the whole year, what happens. (Branch manager B)

If the targets are not met, the numbers are rarely modified during the year but with explanations for why a target has not been met, deviations from plan are according to Branch manager B acceptable. However, whether the targets (numbers) can be changed, as branch manager B describes as exceptional, is by other branch managers described with greater openness. Some branch managers indicate that targets in the branch business plans are subject to modification during the year, which is also something that the CEO encouraged in a branch manager-meeting. In the meeting, the CEO expressly proposed such way of taking contextual factors into account in order to make the branch business plan as synchronized with local conditions as possible.

Performance measurements
Cybernetic control is a fundamental part of Alfa Bank’s management control package. The business plans contain targets and for them financial and non-financial measures which are followed up on a regular basis. The objectives in the business plans are stated in quantified measures, both finan-
cial and non-financial. Financial measures are, for example, bottom-line results, an efficiency measurement based on cost divided into revenues (so-called K/I-number), profitability (measured in return on equity), and business volume per employee. Another type of performance measure in the business plan is concerned with the bank’s risk taking. Performance measures for the branches regarding risk taking are risks on credits (measured as risk-weighted assets) and liquidity (measured in how much of the loans are financed by deposits).

The performance measurements are appreciated by the branch managers, in that they are not too many, nor too few. Having no targets would mean a lack of direction in running the branches according to the boards will. Performance measurement in banking is according to several branch managers rather uncomplicated and easy to understand. However, despite this, the branch managers sometimes feel the need to search for other performance indicators on their own initiative, because of the sometimes perceived incompleteness in the performance indicators in the business plans. This comes from the difficulty in seeing how each employee’s (including the branch manager’s) work affects the key numbers and how each employee can consciously affect them. Two such important pieces of information are the contribution margin and activity rate.

Contribution margin
One information the branch managers use for understanding the work and the branch’s financial result is to calculate the contribution margin for customers. This calculation be done at several levels, including more and more costs, for example internal costs and costs of products and services. At these different levels, the branch managers can see how much a customer is costing the branch, or in other words, how much the branch earns on having that specific customer.

This is something that is used at the branches in order to understand the costs a customer has at the branch and how to increase the profit by reducing the costs, for example in terms of number of cards or accounts. The contribution margins can also be used to benchmark the branches at different levels. Although top management do not pay great attention to customer margins, they encourage the branch managers to use them for their own sake; this was clearly expressed by the CEO at a branch manager meeting. This is a piece of information that the branch managers themselves often choose to look at and use for their own interest and need for information. In addition, information about contribution margins can be retrieved by the
branch managers on their own; they do not need to turn to a superior in order to get hold of the information.

Another key number which is used as supplementary information is activity rate. As with the contribution margin, top management does not follow the activity rate formally or include it in the business plans; however, it does play an important role for the branch managers’ work.

Activity rate
In order to understand their own and each staff members’ role in what will become the branch’s result, some branch managers mention that they use other ratios not included in the branch business plan, like activity rate. Activity rate is a performance measurement that can be related to nonfinancial cybernetic control. It indicates how much time each employee spends on meeting customers, which in turn hopefully leads to business and income. Understanding what affects the result and outcome of the work, and what is in the hands of the branch or beyond their control, is something that drives branch managers to seek this information. Even though the information is not handed to them by top management or even in the interest of top management, the branch managers use this available information in order to understand components underlying the result.

Because there are factors influencing the result that cannot directly be affected by the branch, for example interest incomes, activity rate can be one way of verify the result, as the assumption is that more activity leads to more incomes. Several branch managers point to the importance of breaking down the performance indicators into concrete and more tangible parts in order to be able to direct their work. One part of this is to understand what business to do and how this affects the branch result. This is stated as problematic and not obvious in the meeting with a customer:

If you’re in a client meeting, an advice meeting, you don’t know ‘how much do we earn now?’ [...] It can be frustrating to sit there as an adviser and not know how much money I earn for the bank after this meeting and how pleased this customer is. (Branch manager G)

To have objectives from top management in the form of, for example, financial performance indicators, is something that several branch managers describe as important, but they sometimes add information themselves in order to better understand the numbers. This can be in the form of looking at what kind of activity or what activity rate the branch has gotten. This
was previously followed up by top management, but this is no longer systematically done. The information about the activities is, however, still available to the branch managers and is by some perceived as being useful in understanding the numbers.

Reporting to head office

Although the branch managers have considerable freedom to develop the branch business plan and organize the branch, there is also a considerable amount of reporting to head office. The branches main reporting to head office in done mainly in three ways: dialogue-based reporting, written quarterly reporting, and information system-based reporting. The latter is nothing less than a system where (quantified) data about the branches are automatically generated for top management to collect the information they need and want. Top management can in this system get hold of information without the branch managers providing the information to them. Top management and above all the operational manager can collect information about the branches through information systems where the head office has full insight into the performance at the branches. Top management can also get hold of information which not even the branch manager can see. This information consists of all kind of quantified data, for example profit, contribution margins, volumes, activity rate, etc.

In addition to this automatically generated reporting, the branch managers report to head office every quarter through written reports. In these reports, the key numbers and quality objectives that are formulated in the bank business plan and branch business plans are included but, according to one branch manager, this constitutes only a small part of the report. Analyses and reporting of other aspects, such as what has been done, how the market has been developed, personnel issues, etc. are also required to be included.

This written report together with the information system-based reporting is the foundation for the dialogue-based reporting. In addition to gathering information about the branches from a computer system, the operational manager, and sometimes the CEO, also meet the branch managers one by one to discuss the numbers. These meetings, which are scheduled on a quarterly basis, are informal dialogues where the numbers and outcome of the period (usually a quarter) are analyzed and discussed. In these meetings, the branch manager has the opportunity to describe the result and different explanations for what might have caused it. This adds information to top
management about the branch besides the numbers provided by the computer system. Another important aim of these meetings is to discuss future focus, affairs and strategies, in other words how the branch could work in order to increase their results further.

The branch managers are required to report every quarter and the thought is that there should be follow ups on these reports by meetings with the operational manager. However, this has not been followed through completely. According to some of the branch managers, it can be difficult to find time for these meetings and the meetings can, therefore, take place a little too late for the branch managers to feel them as being relevant.

The quarterly report must be sent in the month after the quarter, and then we have a follow-up meeting the month after that. That means that, for quarter one, we had follow-up at the beginning of May and I think that is... I don’t see the point. And it is supposed to be an essay really, about everything where the K/I-number is a small part and quality targets is another small part. I think that, sure, you can have quarterly follow-ups but follow-ups that long after that we are in principle four months after the event we’re talking about, I think that feels weird. (Branch manager B)

Another branch manager thinks the meetings are positive as they give meaning to the numbers and provide discussions with the operational manager on how the branch can reach the objectives.

5.3.3 Cultural controls

The cultural control at Alfa Bank is, although considered by top management as important, not extensive in the scope of controls. Thus, the formal cultural control is mainly concentrated to one specific document. Alfa Bank had just before the start of this study been working through the definitions and concepts which constitute the formalized culture control at the bank. Top management, together with the branch managers, worked on clarifying the culture and values which resulted in a policy document which has been personally handed out by the CEO to all employees. This policy document encloses in five steps the culture that top management wants to permeate the organization. The aim is also to promote a consensus throughout the bank regarding, among other things, the bank’s role, the concept of decentralization, and the trademark.

The culture policy is an important control tool for top management because of their strong belief in decentralization.
It’s s a very important control instrument; it really is this that is our control instrument in this decentralization that we have chosen. Because we give the branch managers broad frameworks, we do not want to control in detail […] and it is when the branch managers have this [culture] in them, then we feel that we can trust them; they take the right decisions. So, it is an enormously important control instrument… (CEO)

But, because of the vision of decentralization, top management feels that the distance between them and the employees are large. The branch managers are seen as an important link and closest to affect the employees in terms of culture, so to imbue the culture in the branch managers is seen as crucial by the top management team. In addition to the document, top management tries to influence the branch managers in embracing the culture and transmitting it to their employees at the branches by regularly talking about values, the brand, etc. Notably, although top management emphasize the culture control as important, the branch managers do not to any greater extent talk about the culture as affects them in their work. However, the branch managers perceive that the key words are embedded in the branches and something they return to in order to keep it alive, for example at morning meetings.

…if we have a morning meeting and somebody talks about something that has happened, then you can say “well that was [in line with the key words]! (Branch manager D)

When asked about values, most branch managers are positive to the culture control of values, key words, etc. that is implemented in the form of the policy document called “This is how we do banking”. The perceptions among the branch managers of the cultural control at Alfa Bank in general and the document and key words specifically, are positive, as they are perceived as being reasonable and useful for guiding banking activities. The key words are not controversial, but rather natural and easy to (at least as principle) comply with.

These words, […] you can’t disagree with that, everyone wants to be like that. (Branch manager A)

Actually, according to one branch manager who has previously worked in other banks, the values are quite the same across banks and reflects the essence of banking today.
...it is the same in all banks; you think alike, but you have to be reminded about it all the time. Because if you aren’t... Then you become an order receiver and that is not what we are today... (Branch manager F)

Although the content seems to be uncontroversial, it is difficult to assess how these words of value impact the branch managers’ work. The formal culture control at Alfa Bank is expressed in the policy document mentioned above. However, this is communicated not only through formal documentation but, for example, in branch manager meetings.

**Branch manager meetings**

Communication between branch managers at Alfa Bank is partly formalized in meetings where all branch managers are gathered with one or more colleagues from the top management team, so-called branch manager meetings. The meetings are quite informal; the top management sets an agenda for the day and invites specially invited persons when necessary for information or discussion. These can, for example, be the credit manager, business partners, or employees who have been on training programs. At one meeting I attended for this study, the focus was on the branch business plans, where all branch managers were given an insight into how the other branch managers had developed and formulated their plans for next year. The focus was not so much on the specific numbers and key targets, as these vary between branches and very much depend on the local conditions that each branch has. Instead, focus was on the contextual situation the different branches were in and how each branch works with these.

Beside opportunities for spreading information from top management to branch managers, from branch managers to top management, and between the branch managers, these meetings are also forums where values and the desired culture is communicated to the branch managers, and hopefully spreads down through the organization. That is why branch manager meetings are categorized under culture control.

**5.3.4 Reward and compensation**

Alfa Bank does not have any reward or compensation system, either for individuals or for groups. This is something that has varied over time, but for the time of this study, with this top management group, there was no such system. Even though some branch managers at Alfa Bank acknowledge the motivating effect of being given compensation for good performance, they are all of the opinion that reward and compensation systems are not suitable for banks, and that getting rewards are not the reason they work in
the banking sector. Some also point to the possible counteractin
g of having commission in this type of business, referring to the lack of quality it would bring in the service.
CHAPTER 6

6 Enabling and coercive control at Alfa Bank

In the previous chapter, the management control system at Alfa Bank was described, but also some of the various attitudes and perceptions which are expressed by the branch managers of Alfa Bank are accounted for. So, how can we understand these attitudes from the perspective of enabling and coercive control? This chapter aims to present an analysis of the control at Alfa Bank from an enabling and coercive perspective. The first part aims to map the perceptions from the point of enabling and coercive design features. In the second part the implications of this analysis are presented.

Adler and Borys (1996) ask the question of how employees distinguish between good and bad rules. Their answer (i.e. explanation) is that design for use, with four distinct features, constitutes enabling control which in turn leads to positive attitudes. Lack of these four features constitutes coercive control, leading to negative attitudes. The features repair and flexibility are about the subordinates’ possibility to act, i.e. to modify, seek for improvements, etc. which enables them better to master their work. The features of transparency (internal and global) on the other hand is about visibility, feedback and understanding about the logics of the control, both for the specific internal process and for the broader system.

The structure of the chapter is as follow. Positive perceptions are accounted for and illustrated by quotes and illustrative examples. The control element in focus is analyzed from the four features of enabling control. For each control element, negative perceptions about the control element are, when applicable, also described and analyzed from the notion of coercive control. Also, the negative perceptions that have emerged through the study of Alfa Bank are analyzed from the theory of enabling and coercive control. Contrasting the perceptions with theory permits an understanding for how enabling and coercive control can be manifested in the context of banking.

6.1 Explanations of attitudes

From the empirical data, four control elements are focused on and prominent perceptions of these controls are derived, which are analyzed in the light of enabling and coercive control. These are global transparency and flexible use of business plans, internal transparency and flexible use of performance measurements, customization and improvements of routines, and inflexible regulations.
Before moving on to the analysis, a few words are needed on the features repair and flexibility. The features repair and flexibility have in theory different characteristics. However, as noted in the theory chapter, when transmitting to empirical situations the boundaries of what flexibility is and what repair is are not easily separated. When interpreting empirical data, these boundaries of what repair is and what flexibility is easily become blurred. In order to make the features useful and clear cut in this analysis, the conceptual differences between the features’ flexibility is here focused on concepts such as customization, adaptation, exploration and learning. Repair, on the other hand, is focused on concepts such as improvements, unforeseen events, updates and incompleteness.

6.1.1 Global transparency and flexible business plans
A dominant positive perception among the branch managers is that the branch business plan is useful for their planning and execution of plans at the branches. Although the enthusiasm with which they talked about the business plan varied, the common view of all branch managers was that this was an important tool for them in controlling the branch and also the most profound control element from top management.

These plans were talked about as “setting the frame” within which the branch managers could be free to act. The bank’s overarching objectives, strategies and key numbers are formulated by top management and it is the branch managers’ task to develop a branch business plan that works for the branch but also complies with the bank business plan.

This frame that the bank business plan represents is perceived by the branch managers as useful as it provides a picture and direction of what top management want, as well as tying the otherwise different and to a large extent independent branches together. Furthermore, the processes involved in the business plans contains enabling characteristics, which is outlined in the following.

Global transparency
Access to the other business plans, and also the other branches’ results, allow the branch managers to compare and see how their branch fits into the entirety of Alfa Bank. The branch managers gain an insight into the context of their work in relation to the other branches and that indicates the feature of global transparency. The branch managers see this as contributing to consensus between them, enabling what Ahrens and Chapman (2004) call lateral coordination. Alfa Bank does not work with detailed budgets, which,
according to Ahrens and Chapman (2004), is a commonly used contributor to global transparency. However, the business plans have a similar benefit in permitting understanding of how the different parts of the bank are linked together. The business plans not only make them see the greater picture, but also enables them to do so in their own interest.

I wouldn’t like to have no targets, because that would be really strange, if I didn’t know anything about what the bank wants with the business, because this is what the board says “we want a K/I-ratio like this. The K/I-ratio should be [this] and we should earn X million”, or whatever it is. I want to know that, it is really important, because, even if I run my own branch, we are one bank, we are a whole bank, and everybody must run in the same direction because we must do what the bank wants. (Branch manager F)

The very process of developing the business plans also contributes to the control being “transparent” (as in global transparency (Adler & Borys, 1996; Ahrens & Chapman, 2004)). Wouters and Wilderom (2008) stress that a development process that includes characteristics of experience-based, experimentation, and professionalism, enhances a positive, enabling approach from managers being subject to the control. Although this is in some respects supported by the case of Alfa Bank, in other respects the development process to enhance enabling control comes across as different.

The process in which the branch business plan is created is a lot about discussion with the other branch managers, but perhaps especially with the staff at the branch for increasing the commitment to the business plan.

I don’t know everything that the Private department does and how their customer thinks and is. (Branch manager E)

Several branch managers have stressed the importance of commitment from the staff to the business plan and this has increased due to the discussions before and during the development of the business plan.

[When developing the business plans] you didn’t just take last year’s plan and added some new numbers, but you really thought about what should we do, what should we focus on, and how are we going to reach that? We sat down with the staff and together and really thought about it. (Branch manager G)

After discussing the bank business plan among the branch managers, the branch business plan was developed at the local offices. First, one day was dedicated to discussions between branch managers and staff about where they were at the time, how to reach objectives, what activities should be
planned, what does the local market look like, etc. After that, the work continued, resulting in a branch business plan for each branch.

...we went through [these issues] and then I wrote together what we had concluded in a first draft. Then they, the staff, looked at it and they continued writing and then I complemented it, and then I needed to complement a bit further today. So, today it should be finished, but it must be bought by the ones at the office. (Branch manager C)

It is not unreasonable to suggest that this way of involving the staff in the developing process provides the branch managers with a wider contextual understanding of how to set objectives that find support in the branch, in order to meet bank objectives.

This process of developing the business plans, I suggest, is an expression of (trying to improve) professionalism at Alfa Bank. By involving employees (branch staff) in the process of developing targets in the branch business plan, this can enhance professionalism. Professionalism is about “orientation toward learning for the purpose of improving work practices” (Wouters & Wilderom, 2008, p. 495). By giving the employees the opportunity to make their voice heard and outline their experience of work practices, Alfa Bank promotes professionalism. At the same time, this involvement promotes transparency for the branch managers in processes or aspects that they are not deeply involved in.

Wouters and Wilderom (2008) propose that experimentation in terms of testing and refining performance measures (definition, required data, presentation, etc.) can lead to the control being of the enabling type. At Alfa Bank, a similar “test and refine” process exists with the targets in the branch business plan, provided by a dialog between the branch manager responsible and top management. By allowing for adjustment in the developing process when considering the branches’ specific contexts, the targets can be improved (Wouters & Wilderom, 2008). Given that the performance measures which are used at Alfa Bank is described as suitable by both top management and branch managers, and there seems to be no discussion or conflict in whether these should be incorporated in the business plans or not, the targets of these performance measures stated in the business plans are subject to experimentation:

When they (top management) come and say that this is how it should be (in the bank business plan), then we can discuss it. When we looked at [the branch business plan] and I had done my first draft, then I had a volume increase which perhaps was not relevant and when I talked to [the operating
Relating the business plan to psychological empowerment, it is also clear that the positive attitudes recorded have much to do with creating a sense of meaning for the branch manager. The process of including the staff in the development of the business plans is likely to increase conformity between the employees’ (including the branch managers) own values and standards, and the work and values that are represented in the business plan. Indeed, the commitment to the business plan seems to be high at Alfa Bank. Expressions such as the branch business plan being a bible, and statements such as the following indicates a sense of meaning and alignment between the branch managers’ standards and ideals, and the business plan:

I mean, we must support it, the branch business plan, and then it is important that everyone is on board with it. And they (the bank clerks) have really been involved and had their say, [...] and then you have committed a little more to it, absolutely. (Branch manager C)

Furthermore, the plan is set with the aim of collecting input not only from the branch manager but from the bank clerks. Although it is difficult to assess whether the values expressed through the business plans are actually in line with the branch manager’s own values, it is most probable to assume that such a process of involvement provides the branch managers with a sense of meaning, i.e. that the standards and values expressed in the business plans are in line with the branch managers’ own (cf. Spreitzer, 1995).

Other indications of the relation between design and outcome is the strong bond between the branches and top management, which the business plans contribute to:

I want to know [what objectives top management have], it is very important because, even if I run my branch here in Town F we are one bank, we are a whole bank, and everyone must operate in the same direction, because we must do as the bank wants. (Branch manager F)

Even if the branch managers have great freedom in operating the branch according to their own ideas, it seems to be important for this branch manager to know what top management wants, arguably because this gives or contributes to a sense of meaning for the branch manager.
Flexibility
Flexibility in enabling control allows the users of the control system to choose how to build the information in a way that is tailored to specific circumstances (Ahrens & Chapman, 2004). Flexibility can be found at Alfa Bank in the way the branch business plans can be customized for each branch and can (to some extent) have different content. Although there are some headings which must be covered in the branch business plans and there are key numbers that need to be taken into account, there is the possibility to design the branch business plan in a way that fits the branch manager but also the specific situation of the branch.

It is almost like I run a small business, and it is super cool. Because when you feel like... then you have the opportunity to control in a completely different way than what you otherwise do. (Branch manager F)

At Alfa Bank the branch business plans have this feature of flexibility by allowing differentiation and drawing on the branch managers’ experience and local knowledge in the developing process of the branch business plans:

...each branch manager gets to design their own business plan from the conditions that are for [that town]. It is not certain that the conditions here match with those in [another town]. They have a completely different market. And that I think is right thinking. (Branch manager E)

How we make money, it is more individual at each branch. [...] And there we are also very very different really, with competition and what the town looks likes, if it is growing or declining, what kind of customers there are at other banks, and things like that. (Branch manager B)

Thus, there seems to be a great deal of freedom and flexibility in developing the branch business plans.

Among the stories that were told about how the branch managers can work with the branch business plans, one is especially illustrative of this flexibility feature. One of the branch managers had a vision of how to make the branch more profitable, as it is a rather young branch. This included some major changes and rethinking of the branch business plan. These were relatively major changes (e.g. change of staff and strategies), so in this case the idea needed to find support among the top management team and the board, but the approach to the business plan was that it needed to allow for adaptation to the specific situation the branch is in. This was possible because of the flexible approach top management had towards the branch business plans. Thus, knowledge about the local market and conditions for
the branch, and the possibility of adapting the branch business plan according to these conditions, is found to be important for this control being enabling.

The feeling of running the branches on their own and being able to influence the outcome is related to the psychological empowerment dimension impact. Common among the branch managers at Alfa Bank is that this is perceived as a sense of contributing to the formation of the branches. The fact that the branch business plans are developed from the specific conditions of the branch may give a sense of impact as it provides a forum in which the branch managers can decide on a plan of action.

Expressions such as the business plans not being a “desk product”, but actually being used in the daily work for guiding actions and priorities indicate that the branch managers, who have played a central role in developing the branch business plans, perceive that with the branch business plan they can impact the outcomes of the branch.

**Internal transparency**
The development process of business plans is also to increase the internal transparency in the ratios, performance measurements and activities that are stated in the business plans. Although the majority of the branch managers claim that the ratios are not that complicated and that they are well acquainted with the financial ratios’ structure and construction, there are indications that there are gaps in the branch managers’ understanding of all that is going on at the branch. This could be because there is an aspect that cannot be controlled by the branch manager, or that they do not have knowledge and information about all specific aspects of the branch’s businesses. These gaps are filled by having an approach to the development process that encourages the discussion and involvement of staff who have such knowledge.

The visibility that this development process brings infuses the employees with perceptions of being in charge of initiating and regulating at least some aspects of their work, rather than this being something that top management creates as distant from the operational work at the branches:

I have my activity plan; I know what to do each month. I might do this completely differently from the other branches. [...] I know where to be 31/12 2015 but to get there you always need to make reconciliations [...] then we have a monthly meeting here at the office where we go through and look at how it is now, how far we have got, and if we haven’t got far enough, well
how are we to get there, what should we do next month to catch up, and so on. (Branch manager F)

Being in charge of the initiation and continuation of work behavior indicates feelings of self-determination (Spreitzer, 1995). However, some more vague expressions of self-determination can also be found, this on the subject planning of staff training:

There is no expressed amount or anything like that, but it is more of a feeling of when I think it needs to be approved [by top management]. It is kind of floating, and sure I can fill it with what I want, and there is some kind of feeling when I need to discuss it. (Branch manager B)

Transparency in the business plan, and for the autonomy that the branch managers have in the operation of the plan contributes to self-determination.

Repair
Lastly, the feature of repair can also be used to explain the positive attitudes at Alfa Bank. The discussion during the year and possibility of making sense of the outcome in relation to the plan also indicates the feature repair in the branch business plans. These discussions can be interpreted as a way of not getting stuck or halting in case unforeseen things happen, but rather accepting and making up a plan for the new (changed) future.

We never come to the point where you can change, modify the number in any way, it would be exceptional, but you can have an explanation during the year that things happen that are out of your control. And my experience is that it is okay that things happen which make the result not what you thought or that key numbers do not hold good. (Branch manager B)

By discussing the results and drawing on the branch managers’ knowledge and experience of the branch, the psychological empowerment dimension competence will likely be strengthened. In other words, the reliance on the branch manager’s skills and knowledge as an explanation for why a goal may not be met will likely increase the branch manager’s feelings of being competent in their role as a branch manager.

In sum, all features of enabling control can be found in the design and use of business plans. However, most salient is the business plans as supporting the branch managers in their work by providing information and transparency regarding the bank as a whole. A flexible use allows the
branch managers to work with the branch business plans in a way that supports their work rather than hindering and constraining them.

6.1.2 Internal transparency and reparability of performance measurements

The performance measurement system at Alfa Bank is perceived as being positive as it provides objectives and a direction for the work at the branches. The positive attitudes are very much based on the view that the performance measurements are supportive and understandable. The features of enabling control that are present in this control element are flexibility and internal transparency.

Internal transparency

The performance measures that are used at Alfa Bank and formalized in the business plans are ones that top management are interested in and evaluate the branches from. The branch managers are, of course, impacted by this and put great focus on these performance measures. The measurements are perceived as understandable, and to know what top management and the owner (the board of directors) want is acclaimed to be important for the branch managers and facilitating their work:

More [measures] would just be messy, less would be weak. The ones we got, they build on understanding. You understand how they are structured and then we can control [the branch] based on that. (Branch manager B)

A common statement among the branch managers at Alfa Bank is that banking is quite easily understandable and straightforward when it comes to incomes and costs. This could be explained by the branch managers’ experiences; all have worked several years in the banking industry and have in-depth knowledge of the banking business, but it can also be explained by the transparency that the control system at Alfa Bank permits in the form of, for example, information access and the work with and development of the business plans. The branch managers state that they understand how the performance measures such as K/I-number are constructed and what influences the outcome. Internal transparency has in the literature been defined as understanding the definition and measurement of the performance (Jordan & Messner, 2012) and understanding the underlying logic and internal functioning of the control (Adler & Borys, 1996). Hence, understanding the construction of the measurement and the components that are measured can be interpreted as an indication of internal transparency.
As the measurements stated above contain the design feature internal transparency, it could arguably lead to feelings of self-determination. Self-determination refers to a sense of autonomy in the actions and as Branch manager B indicates in the quote above, knowing the structure of the measurements provides a foundation for acting according to these. Hence, such internal transparency makes the branch managers informed so that they can make informed decisions about their work in order to meet objectives.

**Repair**

However, the branch managers are not limited to the performance measures that are expressed in the business plans. As we have seen in previous chapters, in addition to the information about performance that is provided through key numbers in the business plans, some branch managers use other measures in order to supplement their understanding of their branch’s performance. This information is accessible for the branch managers to use if they see it helping them in their work in managing the branches without having to turn to top management. This is an expression of an enabling type of control because there is the possibility to repair the incompleteness of performance measurements, and the possibility to add information in order to fill gaps in the branch managers’ understanding. Repair is interpreted as the way the branch managers can add information, i.e. performance measures, based on their own needs and interests in increasing performance or solving problems. This, I argue, is similar to Ahrens and Chapman’s (2004) interpretation of the feature repair in accounting where problems or inefficiency in operational processes can be solved. Whereas Jordan and Messner (2012) found flexibility to be central in solving the problem with incompleteness of performance measurements, I have in the case of Alfa Bank found repair as having the possibility of adding necessary and complementary information also to be a possible solution.

Contribution margin and activity rate are examples of such information or performance measures that the branch managers use as complement to the information and performance measures that are of interest to top management. Contribution margins is not something that top management attach so much importance to. Instead, it is a piece of information that the branch managers themselves often choose to look at and use for their own interest and need for information.

The contribution margins are not only a source of repair but also internal transparency. The contribution margins make information about the work accessible and the branch managers’ (and staff members’) understanding of
how the business and the work is structured is increased with the use of contribution margins.

You start to discuss a little more and you understand that, if one customer has gotten five accounts, it will cost more than one who has three accounts, for example, and then you can shape it; if you can remove an account, it can become an earning to do that. (Branch manager B)

The contribution margins are not only used for understanding the specific affair or customer, but are also a tool for relating the branches to each other. At one branch manager meeting, top management introduced a new level of contribution margin for the branches to use and compared the contribution margins between the branches. This provides the branch managers with insight into how their branch and their customer earnings stand compared to other branches. The contribution margin provides them with information that enables them to modify their work in a desired direction, for example in terms of cost reduction by decreasing the number of accounts or credit cards per customer. Similar to the “starter-bingo” that Ahrens and Chapman (2004) found as an expression of internal transparency in their study of a restaurant chain, the use of contribution margins at Alfa Bank illustrates internal transparency. While the “starter-bingo” informs the employees of the hierarchy in margins among starters, the system of contribution margins at Alfa Bank informs the branch managers about levels of margins on customers. This, I argue, is an example of internal transparency, because the contribution margin clearly enables the employees to see how their work with each customer has an effect on the branch result.

A character of the feature repair is that the employees can repair the process themselves without turning to experts or superiors (Adler & Borys, 1996). Information about contribution margins can be assessed at different levels of detail and is easily accessed through the computer system. The possibility for the branch managers to judge themselves when this information is used and not and having access to that information without turning to superiors and causing delays when waiting for the information or the regular meetings with the operational manager can be linked to enabling control by the feature repair.

There are more measures that we use when we look at the branch, for our own sake. You want to compare a little with the other branches and [the information] is there in the result report we receive. But it is not that you control from; instead, it is the last line, but there are measures underlying this that are fun to compare anyway. (Branch manager G)
This is, for example, when it is difficult to see the link between the bank clerks’ work and branch profitability. The use of contribution margins increases the internal transparency and enables the branch managers to analyze how their activities, customers, and affairs contribute to financial outcomes.

Activity rate is another part of the repairable performance measurement system at Alfa Bank. It can be used whenever the branch managers think it is fruitful. The activity rate can be used as a performance measurement; the higher the activity rate, the higher the performance. Furthermore, when the branch managers feel that they are not getting enough information to manage the branch, they can use activity rate to fill the gap, i.e. setting goals and evaluate branch achievements:

So, on the basis of delivering the results, it’s about breaking it down to the customer meetings and in these customer meetings something needs to happen. We can’t just sit and have a nice time (laughs), we want to do business, good business for us and for our customers. So, therefore, we must concretize on the branches down on activity rate. And there we (the branches) are free and a little different, I guess. (Branch manager G)

To be able to work with these complementing performance indicators when found necessary, and have the mandate to repair gaps in information with measurements other than the ones top management pay attention to, contributes to feelings of competence, or feelings of being competent for the complex work it means to be a branch manager.

6.1.3 Incomplete performance measurements
As described above, there are positive perceptions of the performance measurements that are used as part of the business plans at Alfa Bank. However, in this specific case, it seems as if enabling and coercive control are two sides of the same coin: on the one side, positive perceptions because of the repairability in using supplementary information and performance measures, and on the other side this need for supplementary information indicates a sort of incompleteness in the existing performance measurements.

Incomplete performance measurements have in previous literature been interpreted as measurements or key numbers that do not capture all performance in the organization, or are missing dimensions that are relevant for the outcome (e.g. Dambrin & Robson, 2011; Jordan & Messner, 2012).
Wouters and Wilderom (2008) describe incomplete performance measurement systems as leading to feelings that the employees are not measured in a truthful way where ‘real’ achievements are visible.

Perceived incompleteness can, from the case of Alfa Bank, also be found in the way the bottom line results are not completely controllable by the branch managers, either because it is difficult to know how to affect the result, or because this is clear but a considerable part cannot be controlled by the branch managers while they are measured against it. From a control perspective, this incompleteness is problematical as it infuses uncertainty or a need for “completing” the measurement with other performance indicators.

Although several branch managers state that the key numbers Alfa Bank uses for performance measures are easily understandable, there seems to be some incompleteness in the link between operational work and its effect on measured performance:

…it is this concretizing [that is difficult]. If you sit in a customer meeting, an advisory meeting, then you don’t know “okay, how much money do we earn now”. You can have that as a salesman elsewhere; you know exactly what you earn, but you don’t know that [here]. (Branch manager G)

The problem of not knowing what a meeting with a customer generates for the branch’s results indicates a lack of transparency in how the branch managers’ actions lead to performance. The branch managers are very well aware that meeting customers is a prerequisite for doing business, but it seems as if it is not obvious if, and how, each meeting will generate earnings. In the K/I-number, which is a central performance measurement at Alfa Bank, there are several different performances indicators hidden. The transparency in how the K/I-number is affected is in this respect low. Although the branch managers state that the K/I-number is rather easy in its construct (costs divided into incomes), how the branch managers activities affect the incomes are less clear:

It can be hard for the staff I think, because it is nothing we talk about with the customers, “what is your K/I-number [a key ratio in the business plan]? [...] Then we need to break it down a bit; what is it that will make us increase our result, what will make our earnings increase and get more revenue? (Branch manager D)

The perceived incompleteness which becomes visible in the branch managers’ descriptions can be derived from a lack of internal transparency. In spite
of the reparability in which the branch business plans are used and the discussion approach surrounding these, the information and objectives provided to the branch managers through the bank business plan is not always sufficient for them to attain an understanding of their branch’s work as wanted.

Another example of perceived incompleteness in the K/I-number is the fact that a lot of the income for the bank and the branches is net interests. The internal transparency in the net interests is limited, as the changes in the rates are distant from the branch managers’ operational work. These are difficult for the branch managers to control, and the fluctuation of the rates is in the hands of Sveriges Riksbank, thereby incomplete as it is not controllable by the branch managers. This incompleteness makes the branch managers feel a little frustrated:

Net interest income is a great part of the incomes and it is difficult to control and then you might not reach the result [target]. But, then you still have the activity rate to work against, if we reach that we’ll be happy, fine, but the net interest income is more difficult to control. (Branch manager G)

This quote clearly show how activity rate can be used to complement the incompleteness and lack of internal transparency in the performance measurement K/I-number by adding another dimension to the performance measurement, the employees’ relative activity which in turn generates income.

Can such a lack of internal transparency be interpreted as coercive control? If coercive control is conceptualized as an absence of enabling features (as suggested in Chapter Three), then this would indicate a coercive control approach. However, as shown in the previous section, there are enabling features at Alfa Bank’s performance measurement system as well, such as the internal transparency that the measurements provide to the system as such and to the operational work of banking. Hence, the performance measurement system at Alfa Bank seems to entail both enabling and coercive control characteristics.

In terms of the outcome of control, this incompleteness should, according to the rationale of the theory, imply constraint. And surely, not having control over the measurements and being able to totally affect the outcomes seems to be inconvenient for the branch managers:

Some key number we can fully affect, especially on the corporate side where you are so dependent on how a corporate customer works. [...] there are a lot of factors that we can’t affect really, it just happens [...]. And it is a reality
we must live in, that we must be active and understand how it affects us and why it can affect us. (Branch manager B)

The income is hard to say anything about; it is affected by the interest and the competitive situation you can say. So... if it doesn’t go as you have thought in these deals... [...] Interest is a large part of the income and it is hard to control and then perhaps you don’t reach the result, but then you still have the activity targets to work against and if we reach them we have to be happy, fine, but the interest is harder to control. (Branch manager G)

That the branch managers perceive themselves as constrained by the incompleteness cannot be supported by this study; nevertheless, a certain degree of trouble seems to be associated with the fact that the performance measurements cannot be fully controlled, or that there is difficulty in knowing how to affect them.

### 6.1.4 Customization and improvements of routines

A third dominant perception that has been identified is positive assessments of the operational routines and reviews. The branch managers express positive attitudes to how they work with the daily operational routines and reviews at the branches. The positive assessments can be explained by the features of flexibility and repair.

Firstly, on a more general note, routines are perceived by all the branch managers at Alfa Bank as important for maintaining a safe and sound bank.

> In some way, it is in the nature of banking that there is a lot of routine, there is a lot of structure in the daily work. When it concerns safety and security for the staff and all that, it is based on the fact that there are routines in it. (Branch manager B)

Considering the context and regulative setting which have been outlined in the previous chapter, this is not surprising. As the industry has an extensive history of regulation and thereby a high degree of formalization, and that the regulatory structure seems to be very much rooted in the context, the branch managers’ perception of routines as natural and taken for granted is an expression of the embeddedness of formalization in banking.

**Flexibility**

Operational work, such as cash routines, routines for information sharing, and also the structure of the work at the branch, can to a large extent be shaped by the branch managers. The decentralization approach that top
management applies to the control of the branches is expressed, for example, in how free they are in designing routines. The branch managers have a great mandate to design routines on the basis of what they find most appropriate in relation to their specific branch. This is illustrated in the way the branch managers have requirements on establishing routines but are free in how execute them:

We can decide on cash opening hours, for example, in given frames and say "well, now we want to do like this because". [...] Opening hours and how we shape the office with services and knowledge profiles, and it is up to me really. (Branch manager B)

...what you want the staff to look like, that is also very free really as long as you of course do not deviate from the performance targets you’ve set. (Branch manager I)

...how I arrange the meetings with the staff, [and] how often, I also think I do very freely. (Branch manager D)

Only when it concerns considerable changes to or expansion of the workforce are the branch managers required to discuss with superiors. This enables the branch managers to act and adapt to local contingencies as they appear without having to seek permission from top management.

This is interpreted as there being flexibility in operational work, and routines as there can be customization to what suits the specific branch. Flexibility as a feature of enabling control is about being flexible and permitting adaptation to local contingencies (Ahrens & Chapman, 2004). It is apparent in the statements by the branch managers at Alfa Bank that operational routines, i.e. how the branches on a daily basis are run in terms of routines, can be adapted as long as it is within some set frames, for example those stated in the business plans or governmental regulations.

A particular routine, or task, the branch managers are required to do is reviews of specific parts of the work performed by the bank. This is, for example, regarding regulation compliance and the staff’s documentation of advisories. These reviews are to secure the quality of the work and are included in the responsibility of the branch manager at each branch. These reviews are not something the managers can choose or choose not to do; still they can be described as enabling because of flexibility in the execution.

Flexibility is expressed in the way the branch managers can choose to perform the reviews in any way they think best for their work. Although top management and auditors have opinions on how often these reviews are to be done, it is very much up to the branch manager to decide when and
how to make the reviews and how to report to the auditors. Thus, the branch managers can choose when (how often) to perform the reviews, how to perform them, and it is they who answer to the auditors. If the review routines set beforehand are not useful to a branch manager, which is that they are not workable under specific branch conditions or that the branch manager has a different opinion on how to perform the reviews, they can change the review routine in order to solve practical problems or adjust the routines to local circumstances.

This provides flexibility through customization of the review routines and closeness to the experts (auditors) and their advices. Expertise advice which is tailored for the subunit is one way to express flexibility (Ahrens & Chapman, 2004). At Alfa Bank, the auditors (i.e. the experts) are close to the branch managers and there is a personal relationship between the experts and branch managers, thus advices are tailored to the specific need of each branch manager.

It is reasonable to assume that, by having autonomy in performing reviews as they see fit, the branch managers perceive that they can impact the operating outcomes. Also, this refers to self-determination, as the branch managers are not totally under the control of another’s (superior’s) decisions, but have autonomy in controlling their own methods, and efforts.

As routines and reviews can be used with considerable flexibility, the branch managers are trusted in doing what they think is necessary and what is beneficial for the specific conditions of the branch. This is most likely to lead to the branch managers feeling they have the competence and skills to make such decisions and capability to manage the branch in a way that is suitable for the local market.

Repair
Further, the feature of repair can also be found as the routines can be improved by the branch managers themselves if they find them not workable. One branch manager says how routines with the reviews are not only flexible but also possess the feature of repair. When the branch managers think that the review routines are not useful, i.e. not workable and have a different opinion on how to perform the reviews, they can “repair” the review routine in order to solve the problem.

...we got this document on how we should review and I thought it was so weird that I did in my own way and the auditors thought that was better. (Branch manager F)
In the case which the quote above refers to, the branch manager’s new way of performing the reviews was approved by the auditors and spread to other branch managers as a form of best practice. As repair is about improvements of already set routines and “fixing” what is perceived as incomplete (Jordan & Messner, 2012), this passage shows the possibility of the branch managers solving problems by themselves instead of going through superior or top management.

In the case of review routines, it is the branch managers themselves that perform the reviews. By allowing for repairing the routines from each branch manager’s and branch’s specific needs and situation (of course within certain limitations), it seems to lead to the branch managers feeling that their competence and skills are taken advantage of (in positive terms) and are strengthened in that they have the competence that is needed for the work.

### 6.1.5 Unrepairable decision limits

A control that the branch managers recurrently describe as limiting and a cause of delay in their work is the decision mandate that in some situations sets boundaries for what they can and cannot do. Although most of the branch managers state that the decision limits are justified and legitimate, and that they have a great decision mandate to run the branch, this is one of the things that they perceive as obstructing them in performing their work. There seems to be no possibility for the branch managers to optimize the process of decision limits in order to better handle the current situation:

> They (the decision limits) are what controls and then you become a bit paralyzed sometimes, because there I don’t own the decision right. (Branch manager A)

In meetings with customers, the perception of decision limits might be negative because it can cause obstacles or obstruct the branch managers in performing their work in the way they want:

> And sometimes you feel that “this is so clear” and then you wish you could push the button by yourself really. In those cases, you can feel a bit limited when you think it is so obvious. (Branch manager D)

This represents lack of repair; similar to work standards that can be shut away from operators (Ahrens & Chapman, 2004), decisions about deals including high amounts are made without the specific local knowledge that the branch managers possess. Knowledge of the specific customer is an asset
for the branch managers and the fact that the decision sometimes must be made on a higher hierarchical level, distant from the local knowledge about the customer, is sometimes an obstacle. When the final decision regarding the affair is taken by the operational manager or the bank delegation it is divorced from the local operations of the specific bank office and market, and indicates a coercive approach to this part of the management control (Ahrens & Chapman, 2004).

This is, on the one hand, a source of frustration and a feeling of not being able to make a decision without taking the issue to a superior (operating manager or the bank delegation). On the other hand, having decision limits is not only negative because it constrains freedom of action: the limitation in decision mandates seem also to provide a sense of security to the branch managers. That the branch managers are not alone in decisions that concern large amounts of money or important issues is another aspect of positive perceptions despite the lack of reparability:

And sometimes it is nice when it comes to large amounts of money, that you are not alone in the decision. But that is the only time I think [it is positive].

(Branch manager A)

The negative perceptions of decision limits that prevent the branch managers from taking fast and informed decisions can be explained from the lack of reparability. The decision limits seem to be perceived as constraining for the branch managers in some situations. The lack of reparability can arguably explain these perceptions of constraint.

6.1.6 Inflexible regulations

It is in the purpose of regulations that they cannot be modified to fit the work of the unique organization or an unforeseen situation. Hence, the feature of flexibility is not present in the regulatory elements that control Alfa Bank. Regulations are a governmental matter, and they are in general the same for all banks in the market. Some exceptions exist, for example savings banks have a certain law that only concerns savings banks. In some situations, there is a need, or wish, for adjustments to the specific situation or the circumstances that the branch is in, but because of the way the regulatory framework is designed, that is not possible. When there are several actors that are subject to the same regulation and these actors differs in some aspects, the implications of the regulation will likely also differ in some respects:
...we don’t know what will happen, but as it seems the smaller banks will be affected very much by the new regulations, the Basel 3-regulations and all that, and that feels terribly unfair. (Branch manager F)

So, despite the fact that the regulations are the same, the branch managers are critical of parts of the regulations that they see as unfair just because they are the same for all banks.

The lack of flexibility in regulations is the foundation for perceptions of unfairness. Some branch managers argue that the problems that the regulations aim to limit are not always problems for Alfa Bank, and yet they must comply with these regulations. This can be illustrated in an example given by Branch manager A:

There come requirements from the government that you have to amortize the mortgage loan. Well... surely it is good up in Stockholm or in Gothenburg where you are over-leveraged. But here we don’t have that loan-to-value ratio [...] If you talk about the housing bubble, I don’t think it is found in [town A] but then our customer needs to have the same amortization requirements in the calculation to get a loan. And they might not earn as much as they do in Stockholm. (Branch manager A)

FI’s requirements of amortization that is imposed nationally means in short that all new house mortgages have to be repaid with a minimum percentage each month. The aim is to lower the debts of Swedish households (Finansinspektionen, 2015). This is something that is perceived as constraining and limiting by the branch managers, because this regulation and requirement on amortization cannot be used flexibly when doing business which the branch managers do not think necessitate this kind of regulation. This is something that is seen as problematical because the regulation is meant to control a problem that, according to several branch managers, does not exist in their local markets. It becomes clear in this example that there is a gap between the national regulations that come from the government and the perceived utility of the regulations for the branch. The regulations are, therefore not perceived as something that helps the branch managers to better manage the branch but rather constrains them and are unsuited to their specific market. The branch managers cannot adjust the regulations to suit the local environments of their branch, nor to the situation (i.e. customer, market, etc.) in front of them.

The fact that regulations are nationally or internationally imposed may cause feelings of rigidity in the relation with the customers. In some situations when meeting customers, the branch managers are not allowed to do
their job in the way they think is best, for example skipping some document-
tation when this is not felt to be needed:

These regulations that came, advisory support, you may well think that, what
the hell, here comes a customer that I have known for twenty years. And we
discuss the fact that he might buy shares or something and I know him so
well, well then you have to start writing these documents! This I can think is
a bit too much sometimes. (Branch manager E)

Some examples of this are the amortization rules and calculation require-
ments, which are same for all banks. These might feel limiting because of a
preconception that the relationship between bank clerk and customer differs
between small and large cities:

Another factor that I think is important for the small branch, or the small
bank, is that we actually know our customers. We know that, well the cal-
culation does not work, but this person will never deceive us. You don’t
know that in the big cities. That’s a limitation [for us]. (Branch manager A)

Whether this preconception is correct or not will be unsaid here, but clearly
this is part of the branch manager’s perception about how the regulation
limits the possibility of addressing the customer in the way the branch man-
ger would like. The regulations, Branch manager A thinks, streamline
banking and the problems from which the regulations derive are not in the
immediate local environment.

So, same regulations across the industry with a lack of flexibility is a
source of negative perception. However, the other way around also seems
to spark negative assessments regarding regulation:

What can irritate me a bit is that somewhere... Well, as bank, we are ex-
tremely controlled and sometimes you can feel like those [businesses] that
exist in the periphery of this bank world, like companies with SMS-loans or
exchange offices or whatever, there it is a bit more like the Wild West.
(Branch manager C)

Regulations that are not the same for all actors in the industry or those
providing financial services are also a source of negative perception, just
because they are not treated under the same conditions. This also contrib-
utes to feelings of the regulations being unfair.

It is not only that regulations are perceived as unfair; there is also a per-
ception of regulations leading to rigidity in the work processes. The regula-
tions are imposed on the branches by regulatory actors and there is no room
for flexibility or adaptation to the specific branch. Ultimately, to customize
a rule or regulatory framework to meet the need in a specific deal or customer would go against the purpose of the regulation. Although regulations provide security and quality control, at the same time they control the banks in ways and directions that the branch managers perceive as being limiting and imperative.

One such example is the requirement of capital that is imposed on the bank from the Basel framework. As described previously in this thesis, requirements of capital sometimes make the top management at Alfa Bank choose which type of loan to provide to the customer, whether it is in their own balance sheet or at an external actor (e.g. another bank). The balance in capital and the actions that must be taken in order to keep to the regulations is clearly affecting the branches. Depending on where to place the mortgage it affects the branch’s earnings because, when the external mortgage is used, the earnings of that deal are shared between Alfa Bank and the external bank. The Alfa Bank branch will in these cases earn less. Accordingly, the branch managers have neither mandate nor the information to make decisions or adjustments to the current situation about how to balance the capital according to Basel III. They just follow the directives from top management, even though they directly affect the branches’ earnings.

Lack of flexibility and of global transparency can be used to understand these negative perceptions about regulation. Lack of flexibility is quite straightforward; the branch managers cannot (always) themselves adapt or customize this process to the current situation. Furthermore, the fact that it is top management that has the overall picture and information about when a loan needs to be placed at an external actor in order to keep a balanced capital portfolio indicates that there is also a lack of global transparency for the branch managers.

Inflexibility in regulations seems to be associated with outcomes of constraint, as the branch managers does not, in these aspects of the regulations, consider them as facilitating action and discretion.

6.1.7 Global transparency in regulations and management controls
A special focus will now be on the feature global transparency as it has shown to be of special importance for enabling control at Alfa Bank. Also, in the data from Beta Bank, which in this thesis have been used to answer the second research question of coexistence of enabling and coercive control, global transparency stands out.

Common to Alfa Bank and Beta Bank is that the branch managers seem to draw on knowledge and understanding of the industry and context when
assessing positive and negative control. Understanding the need and benefit of having control and routines because it means having a sound industry where customers’ money is taken care of in a responsible way, seems to be a source of perceiving the control as positive and empowering. However, this does not fit the existing explanatory features of enabling control. Instead it is here suggested as being explained by extending the meaning of the feature global transparency.

Understanding the need for control from the perspective of society is found to be positive for the branch managers’ attitudes to the control. The banks’ role in society is by several managers argued as a reason why the regulations were perceived as not only negative for their work. In other words, the important role banks have for society necessitates control:

Banks are, should be, a pillar of society, I think so, and then you have to accept that there are regulations. [...] Not only taking this role but being given the role as an important conversation partner. And I believe all the people working here, you don’t want at all be involved in any [bad business], this professional morality is deep, I hope. (Branch manager L)

Regulation seem to be embedded in the nature of banking. Recognizing the link between the bank clerks’ work and the implications for society in terms of preventing illegal activities illustrates a kind of transparency that reaches outside the organizational boundaries. Specific societal problems and issues, for example the financing of terrorism, are that kind of understanding and legitimacy that global transparency provides to regulation.

In recent years there has been a lot of focus on knowing your customer and knowing why the customer uses certain banking products or services. And it has been very much related to all the terrorist networks that exist, leading to a strong focus on different types of monetary transaction and that we all the time must understand what the customer does. A few years ago, there were not the same requirements on that. [I am] obliged to ask questions; before it was perhaps a right, but now it is an obligation and in that way, I think we should contribute to banking not at all being of help with that type of transactions, that support things that are not good for the society. So I think it is a good thing that there are regulations. (Branch manager L)

Regulations provide the branch managers with feelings of security in that the banking activities that Alfa Bank and other compliant banks perform lead to a sound industry. Having regulations that are composed by actors
higher up in what I in previous chapter have described as an industry hierarchy provides a certainty that following the regulations will lead to a sustainable and sound industry:

At the same time, it is great that there is this regulation and that Finansinspektionen keeps their watchful eye on us, because it makes us a very sound industry. (Branch manager F)

Global transparency can both be related to a specific rule where the branch managers understand how following the rule leads to a sound industry, and to an understanding and trust in the regulatory system as a whole or in how the rules are developed. While the branch managers at Alfa Bank do not have a direct impact on the development of rules at a national or EU level, other larger actors on the market seem to have this:

...you have to assume that there has been a discussion and that it has led to these regulations and that it then works, and just adapt. (Branch manager B)

Assuming that there has been a discussion higher up in the regulatory hierarchy about the consequences of the regulation and a trust in the fact that the regulations works because of this also indicates that there is transparency in how regulations are imposed on the banks. If this understanding of the external actors and environment did not exist, any regulation that significantly controls or limits the branch managers’ discretion would most probably lead to much more negative attitudes as the branch managers could not conform to the rationale behind the regulation.

At Alfa Bank, global transparency is found in the regulatory control, as the branch managers understand how the regulations contribute to service quality:

[Regulation is important] partly because it has to be in order for us to account to Finansinspektionen which issues the bank charter and so on, and then perhaps from my point of view it is important in order to get answers. If I sit thinking about something, about how I should do something, then I need to get an answer somehow, and a unified answer. That it actually says in the regulation that this is how we should do it […]. So absolutely, it is important. (Branch manager J)

Prominent in the data is that the branch managers can see the link between regulations, their work at the branch, and the potential consequences for the industry if the regulations are not complied with. For this reason, the regulations are not perceived as negative. The branch managers emphasize the necessity of the banking sector being highly regulated as a reason for
not perceiving the regulations as constraining in a negative sense but on the contrary positive for the service quality and to protect customers. For example, the routines and reviews processes that are a large part of the branch managers’ work are understood as being important for the industry as a whole, and to some extent exclude what are perceived by the branch managers as unserious companies from the industry:

...there are a lot of discussions about money laundering and financing of terrorism and then it can feel good to lean on this regulation. If you feel like a deposit is a bit weird, then you can say that we cannot accept the money, we are not allowed, and you hold up the regulation, ha-ha. No, but with a good regulatory framework, then you have things in order and it becomes clear, which a lot of time feels good to have. And I think that it often keeps unserious actors off the market. (Branch manager O)

Everywhere where you can make money it will always turn up actors that are more or less serious, and I see the regulations as a protection, a protection for us as business against unserious actors, and I see it also as a strong customer protection. (Branch manager L)

Global transparency enables them to see the link between the control and external regulatory and contextual actors, such as Finansinspektionen and other banks in the industry. Global transparency is with current conceptualization, however, limited for understanding the full width of the branch managers’ transparency and what seem to affect their seemingly positive attitudes to regulation. As shown in this section, the branch managers at Alfa Bank and Beta Bank seem to have an understanding of not only how the control relates to their own organization but also in a broader perspective to the industry and society in which the organization acts.

To conclude, as shown in the theoretical framework in this thesis, internal transparency is concerned with the control system’s internal logic and an understanding of how the control system is constructed. This is, for example, which elements a performance indicator consists of and how to affect them, how a ratio is composed, or the underlying logic behind a routine. Global transparency, on the other hand, is understanding how the control elements relate to the bigger picture, to other departments, other key numbers, or other work processes.

However, these two forms of transparency have previously been limited to the boundaries of the organization. Contrary to this, the contextual and regulative setting have in this thesis been argued to considerably influence the operations and control design at the organizational level. Arguably, this
also holds good for the employees’ assessment of the control being empowering or constraining. It is most likely that the contextual and regulatory setting in which the organization and the employees act affects their understanding of the systems they interact with. Already in Adler and Borys’ (1996) pivotal article, understanding of the external environment was indicated to be important. In describing global transparency, they suggest:

In an enabling approach to procedure design, by contrast [to a coercive approach], employees are provided with a wide range of contextual information designed to help them interact creatively with the broader organization and environment (p. 73, my emphasis)

Thus, interacting with the environment is related to enabling control. However, this aspect of global transparency has not been further developed either in Adler and Borys (1996) or in subsequent literature. Consequently, the literature does not to any greater extent help to interpret the contextual and regulatory implications on employee perceptions. Understanding how control elements and work processes are related to the contextual and regulatory environment outside the organization will arguably make the employees more prone to feel that the control facilitates their work rather than just imposing constraints and limitations without visible reasons. However, the existing theory of enabling and coercive control does not allow for this kind of solution. Although Adler and Borys (1996) indicate an external perspective as accounted for above, this is not further mirrored in the features of enabling control. Hence, there are positive perceptions that cannot be explained from the four existing features of enabling control. While global transparency in previous research has stopped at the organizational border, it is here suggested to provide an understanding of how one’s work and the control that guides one’s work fit into the bigger picture also external to the own organization. Hence, transparency in the organization’s external environment could also be a character of enabling control (see Figure 5). This could be in relation to competitors, customers, industry or society.
6.1.8 Summary
This chapter has outlined some explanations for the positive and negative perceptions found in the banking context, from the perspective of enabling and coercive control. The analysis shows that all features can serve as explanations for positive attitudes to the control, as positive attitudes are related to empowering feelings in that the control creates meaning and empowers the branch managers’ knowledge and skill use. However, not all features can be found in each and every control element. Also, negative attitudes can be explained by the theory of enabling and coercive control. The lack of enabling features can be linked to statements about how the control constrains or even hinders the branch managers in their work. Once again,
not all features are missing: although, for example, lack of internal transparency has been found to explain negative perceptions about performance measurements, this does not mean that all enabling features are lacking. In this specific case, repair could still be found.

Global transparency have been found to stand out as a feature contributing to positive assessments of control, not least regulation. However, contrary to previous research global transparency is here much concerned with understanding how the organization relates to things (e.g. society, industry) beyond the organizational boundary.

In Table 9, an overview of the analysis is presented. This line-up highlights some important ideas deriving from the analysis. First, all features of enabling control have been found at Alfa Bank. No feature dominates or stands out as more present or important as an explanation for the perceptions at Alfa Bank.

**Table 9. Theoretical mapping of positive and negative perceptions at Alfa Bank**

<table>
<thead>
<tr>
<th>Control element at Alfa Bank</th>
<th>Theoretical feature</th>
<th>Repair</th>
<th>Flexibility</th>
<th>Internal transparency</th>
<th>Global transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank business plan</td>
<td>Global transparency and flexible use of business plans</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Branch business plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K/I-number Contribution margin</td>
<td>Internal transparency and reparability of performance measurements</td>
<td>X</td>
<td></td>
<td>X</td>
<td>(X)</td>
</tr>
<tr>
<td>Activity rate (Net result)</td>
<td>(Incomplete performance measures)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reviews Operational routines (Decision mandates)</td>
<td>Customization and improvements of routines (Unrepairable decision limits)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Amortization requirement, capital and liquidity requirements)</td>
<td>(Inflexible regulations)</td>
<td>(X)</td>
<td>(X)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Second, when considering the negative perceptions (negative perceptions are indicated by brackets in the table) and the explanations for these as suggested in this analysis, it becomes evident that, also when a feature has been found to explain positive perceptions, there is also a lack of the same feature. In fact, in all cases except one, when negative perceptions have been explained by an enabling feature, there is also a lack of that feature explaining negative perceptions. This indicates that enabling and coercive control exist at the same time. For example, in the case of performance measurements, internal transparency was found in the way the branch managers could understand the rather uncomplicated way that branch performance was assessed, through among other things measurements of the K/I-number. However, at the same time, internal transparency was lacking in how and when the bank clerks’ activities and meetings with customers were contributing to the results of the branch. Thus, in an overall perspective, the branch managers had internal transparency in the performance measurements at Alfa Bank, but were lacking internal transparency on a more operational level, at least in this specific respect.

Four control elements have been analyzed, as they have been salient at Alfa Bank’s control system package: business plans, performance measurements, routines, and regulations. A flexible use of business plans seems to play a central role in the enabling control of Alfa Bank, as it has great impact on the branch managers’ work and is the main element that links the branches with each other and the head office. The business plans imply enabling control by allowing for customization and adaptation to local contingencies regarding both activities and to some extent performance objectives. At Alfa Bank, the development of business plans with an enabling approach seems also to explain how the branch managers perceive the control at the bank as mainly positive.

Some indications of the enabling features’ relation to the outcome dimensions have been highlighted in this chapter. The business plans have been shown to lead to a sense of meaning, feelings of impact, self-determination and competence. The enabling design characteristics of performance measurements have been shown to lead to self-determination and competence, and routines were related to competence, impact and self-determination. In contrast, lack of internal transparency, unrepairable decision limits and inflexibility in regulations have been shown to lead to perceptions of constraint.
These indications of the relationships between features of enabling control and psychological empowerment dimensions, and between lack of enabling design features and constraint show that there may be reasons for continuing investigate the potential outcome of enabling/coercive control as psychological empowerment/constraint.

Notably, the analysis of enabling and coercive control design in banking show that global transparency is central to positive perceptions of control. However, global transparency has in this analysis been found also to include aspects outside the organization, for example the role of banking in the financial system. This has been shown also to lead to perceptions about the control as positive and even necessary.

As noted earlier in this thesis, previous framework on enabling and coercive control has been much concerned by explaining assessments of control from an organizational level. Thus, explanations and understanding of employee perceptions have, for example, been found in management control system design (Ahrens & Chapman, 2004), top management sense giving (Jordan & Messner, 2012), and control system development process (Wouters & Wilderom, 2008). As has been argued throughout this thesis, it is fruitful to consider the context (organization) in which a phenomenon is studied as well as the institutional (industry and regulatory) setting the organization acts within. Extending global transparency as, in this thesis, also to include aspects outside the organization permits another level, what can be associated with what Luft and Shield (2003) call beyond-organization level. Continuing in the language of Luft and Shield (2003), this definition of global transparency provides a cross-level model. That is, Alfa Bank and Beta Bank show that explanations of employee attitudes can be found at both organizational level and beyond-organizational level.

From this analysis, it can be concluded that both enabling and coercive control is present at Alfa Bank. Interestingly, enabling and coercive control seem to exist at the same time, in the same, or closely related, control elements. As some previous literature has concluded, coexistence of enabling and coercive control is possible, and the case of Alfa Bank also shows that at the same time a control element enables the employees, as it provides guidance and line of directives, and supports feelings of security and quality, it will also in other situations or in other respects be coercive, as it obstructs the employees in mastering their work and constrains their actions in a coercive way. In the next chapter, the coexistence of enabling and coercive control and responses to such coexistence is analyzed further.
CHAPTER 7

7 Coexistence of enabling and coercive control

The case of Alfa Bank has shown that the business plans (bank and branch) are important control tools and contain enabling design both in transparency (internal and global) and flexibility and repair. Furthermore, routines involve repair and flexibility, and performance measurements are transparent and repairable. Thus, in this respect Alfa Bank seems to have succeeded in building a management control system which is enabling for the employees.

However, Alfa Bank also has controls that are lacking enabling features. Although global transparency is suggested to imply enabling control, regulation and decision limits are identified as coercive control, as they lack other enabling features, leading to negative assessments. Regulations are recognized as the main constraining control element as it does not allow for reparability or flexibility. Decision limits are based on coercive principles and is also perceived by the branch managers as sometimes constraining them in their work. In sum, the case of Alfa Bank illustrates a complexity in assessing enabling and coercive control as it consists of different controls, having (and lacking) different enabling design features, and being used in various ways to promote enabling or coercive control.

The second question of this thesis is concerned with this complexity of enabling and coercive control, namely how and in what way, enabling and coercive control coexists in the context of banking. Furthermore while coexistence can be viewed from a design perspective, it will also be analyzed from the branch managers’ perspective: how do they respond to a coexistence of different control approaches?

While the empirical investigation has so far mainly been at Alfa Bank, in this section, the analysis will also include Beta Bank. As argued in Chapter Four, Beta Bank complements this study with data from another Swedish bank. This gives a richness to the empirical setting of banking. It will also be shown that Beta Bank strengthens important findings at Alfa Bank.

This chapter is structured as follows. First, coexistence of enabling and coercive control in banking is described from the statements of branch managers at Alfa Bank and Beta Bank. This is done from the two different meanings of coexistence presented in Chapter Three: as simultaneous systems and as simultaneous cognitions. Second, responses to the coexistence of enabling and coercive control are presented, first with a focus on tensions and more negative assessments of coexistence, followed by more positive responses.
7.1 Coexistence of enabling and coercive control in banking

Ahrens and Chapman (2004) suggests that enabling and coercive forms of control can coexist. They could in their case study identify design principles of enabling control side by side with principles of coercive control, meaning that the two modes of control do not exclude each other. Thus, in one and the same organization, both enabling and coercive processes can work simultaneously (Ahrens & Chapman, 2004).

As the account for the management control system at Alfa Bank shows, Alfa Bank is another example where enabling and coercive control can be found side by side, thus supporting Ahrens and Chapman’s (2004) conclusion that coexistence of the two types of control is possible. However, unlike prior research, coexistence of enabling and coercive controls in banking is a much messier one.

Let us say that a branch manager is in a meeting with a customer in order to discuss a loan request. Without going into too much detail, in this transaction several controls are active. When meeting the customer to talk about loans or credits, one determining factor is the amount of the loan or credit, and whether this transaction is something that the branch manager can decide on by alone or whether the loan amount exceeds their mandates. If the loan amount exceeds a certain limit, the branch manager cannot decide whether or not to grant the loan, but must hand over the decision to the credit board. As shown above, decision limits constitute a coercive control in banking. In the cases when this control is “activated” by high loan amounts, this of course controls the managers in a certain way and clearly removes their discretion. However, the limits are perceived by the branch managers as being relatively high, so often this control is not needed. Thus, the activation of this coercive control is dependent on the specific transaction and situation the branch manager is in.

When the branch manager has granted a loan request, independent of whether this has been done with or without the influence of a credit board, there are several different loans which can be sold to the customer. As been shown previously, which loan to sell could also be a matter of control. Some loans are placed in the bank’s own balance sheet, which increases the branch earnings from the credit. Other loans are shared with other banks which reduces the branch’s earnings but does not affect the banks’ balance sheet to a great extent. As the government regulates the requirements of the banks’ balance sheets in order to secure the financial sector, top management sometimes needs to control which loans to sell in order to adjust the balance sheets so that they comply with that regulation. As this is a tool for
controlling the bank’s balance sheet, top management might direct the branch managers to sell a certain loan in order to increase or decrease the effect on the balance sheet, which is at bank level. This is concerned with the bank’s overall control and the bank’s business plan rather than the branches’ business plans. Also, this is a coercive control element.

Another step in the loan process is to set the terms of the credit. If the choice of loan is a question at bank level, the specific terms of the credit are, on the other hand, a question more in the hands of the branch managers. To have the branch business plan as a foundation for the activities and focus of the branch guides the meetings with customers. Also, related services that can improve the branch’s result are things that the branch manager can be more flexible about. Thus, the specific credit terms and the practical handling of the customer are informed with great deal of freedom and enablement.

Without constructing the loan process as a totally linear process, which it most likely is not, one thing that pervades the process is formalization of the transaction, in the form of advisory support reports, information forms, calculations, etc. These derive from regulations and requirements of control, meaning they are of the coercive type.

This quite simplified but illustrative example based on the interviews with the branch managers is summarized in Table 10. As can be seen, in this single workflow process, both enabling and coercive control are present, at different times and sometimes at the same time. The last line in the table is review processes and operative routines, things that are not specific to the loan process but constantly influence the branch managers’ work. The way the branch managers perform reviews and how the branch has chosen to document the transactions are flexible and much up to the branch managers. Operative routines such as when and where to meet the customer or who does what at the branch is also an enabling type of control. The example above illustrates just one situation where the branch managers’ work is influenced by the coexistence of enabling and coercive types of control.
Table 10. Coexistence of control types in loan processes

<table>
<thead>
<tr>
<th>Control element</th>
<th>Control approach</th>
<th>Example of the loan process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision limits</td>
<td>Coercive</td>
<td>Decisions about credits over a certain amount are made by superior or a credit board.</td>
</tr>
<tr>
<td>Bank business plans</td>
<td>Coercive</td>
<td>When the bank needs to adjust its balance sheet, top management controls which loans to sell.</td>
</tr>
<tr>
<td>Branch business plans</td>
<td>Enabling</td>
<td>Interest rates and other loan terms.</td>
</tr>
<tr>
<td>Regulations</td>
<td>Coercive</td>
<td>Formalization of credits, such as documentation, forms, calculation.</td>
</tr>
<tr>
<td>Review processes and operative routines</td>
<td>Enabling</td>
<td>General workflow control.</td>
</tr>
</tbody>
</table>

Because work tasks or work processes can consist of both enabling and coercive types of control influencing different stages of the process or different parts of the task, it is difficult to say that a task or a process is controlled by either enabling or coercive type of control. The different ways one could conceptualize coexistence, which is presented in the theory chapter, all serve their purpose in understanding coexistence in banking. Next, the coexistence of enabling and coercive control is analyzed from the notions of simultaneous systems and simultaneous cognition.

7.1.1 Simultaneous systems

This coexistence means different control systems existing in parallel. At the same time, one system is design with enabling features, while another system can be designed coercive.

This becomes most evident in the case of the business plans and how these exist in parallel with regulations. As top management at Alfa Bank sets some boundaries in terms of key numbers and some general directions for the bank as a whole, the branch business plans which control much of the branch managers’ work and activities are still characterized by a great deal of freedom for the branch managers to set their own agenda and steer the branch in any way they feel suitable to their specific local market. These control systems, the business plan and the regulations, work simultaneously, as, on the one hand, enabling control (business plans) and, on the
other hand, coercive control (regulations). These control systems do not seem to interact; the regulations do not govern the use of business plans, nor do the business plans include any regulatory aspects. These control systems seem very much to work in parallel:

It is very much stated that we should be a decentralized organization, and of course then you have great mandate and quite extensive freedom. And at the same time, sure, we are a bank and then you have regulations that prevent us from being decentralized to the full [...] And then it becomes a bit messy, because sure you would like to be much freer, but at the same time you can’t for different reasons and it becomes something in between. (Branch manager B)

In this quote, the branch manager describes these parallel systems where the regulations constrain the bank from being as decentralized as they might want and the branches as being as free as they could be, but that great freedom still exists within the organization. Several branch managers describe this, that there is great freedom within the frame of boundaries which top management sets in the business plan and that regulation is something that quite independently constrains their actions.

There are, however, times when some of the branch managers feel that the regulatory control works against the control approach that top management has chosen. For example, when talking with a customer, the approach to the customer is dependent on whether there is a general discussion or whether there is a discussion about credit in which the branch manager must be more careful and knowledgeable about current regulations.

Coexistence of control can be used in order to create dynamic tension (Henri, 2006; Mundy, 2010). Such a control that, on the one hand, exerts control and, on the other hand, supports opportunity seeking is at Alfa Bank demonstrated in the use of the branch business plans. The business plans work as a frame of control which sets some boundaries to the branch managers at the same time as it provides great freedom. Even though the business plans constitute a great part of the control system at Alfa Bank and are thought of as positive and enabling by the branch managers, there are other aspects in top management’s work processes which at the same time indicate some coercive qualities on the part of the branch managers.

In one example, the branch manager felt that information about board meetings was not communicated soon enough, mainly because the operational manager wanted to meet up and inform in person. This became an obstacle in finding a time when the branch employees (including the branch
manager) and the operational manager’s schedules could be matched, which led to a delay in receiving information:

We had a meeting where we discussed two board meetings, I can feel that I would have liked [to have the information] a bit faster. (Branch manager C)

The personal interaction when giving information rather than communicating through, for example, an email turned out to be perceived as negative, and in terms of enabling control becoming ‘less transparent’.

Another example is when the operational manager, at times, wanted to participate in meetings with customers:

He (the operational manager) has a need of meeting customers, and I don’t want to, to the same extent he does. I don’t think it works. But there it is a business need, if he thinks it is necessary in order for us to get a certain transaction then he needs to come, for example. (Branch manager B)

While giving the freedom to the branches in managing their businesses, it seems as if top management still has a need to be involved in certain transactions. Although it is the branch manager who makes the final deal, it does not seem as only a positive thing to have the operational manager involved.

Given these points, the need from top management to be closely involved in certain transactions or certain customers, or the endeavor to meet the branch managers in face-to-face interactions and therefore cause a delay in information distribution, constitutes coexistence of both enabling and coercive control.

Another aspect of coexistence of enabling and coercive control is the aspiration to make some processes alike for all branches, or the regulations as positive for making some things knowable and stable:

It has often been that you have set up your own routines in the different branches. There is not one common way like this is what we do when we review vouchers or this is how we do this or that. But we work on that all the time. Now we have an internal regulation coordinator, and that is really good. So now we have started that. […] So not everyone sits in their own office inventing their way, but it can be more coordinated and that is good. (Branch manager H)

This would in terms of enabling and coercive control mean that the flexibility which the “freedom within frames”-approach often talked about in banking (both at Alfa Bank and Beta Bank) decreases as the branches are ‘forced’ to follow joint routines or processes, for example concerning the
inspection of compliance. However, it seems as the structure of having joint routines is perceived as positive.

Lastly, a recurrent view among the branch managers interviewed at both Alfa Bank and Beta Bank is that, even though there are some control elements within the processes of, for example, credits or mandates at the branches, it seems in many cases to be unlikely that top management contradicts their view of the matter:

> If I think that we should lift the mandate on an employee, then I talk to the credit manager and then they make the decision at the board next time. And there is no one saying no when a branch manager wants to lift a mandate. (Branch manager G)

> It is very rare that we as a branch suggest a credit that is then denied; it doesn’t even happen every year. And that makes us know what demands we should have on the customers. (Branch manager L)

Although there in practice seems to be no need for the control element because there are seldom any deviant opinions between what the branch managers want to do and the assessments made by top management, the presence of the control seems not to be problematic, nor is it questioned. Instead, if a branch manager’s perceptions about a transaction deviate from top management’s, it is rather a matter of not being suitable for being in such a position:

> It has to my knowledge during all my years in the bank never happened, because in that case I’m the wrong person [in this position], because I should make the same judgement as my experts. (Branch manager K)

According to Mundy (2010), the combination of enabling control and what she calls controlling uses of management control systems (exerting control) creates a dynamic tension which can lead to unique capabilities for the organization. Accordingly, this dynamic tension is an interface of controls that is something positive for the organization. At Alfa Bank, this dynamic tension can be found in the extensive and strict regulations coexisting with extensive freedom and delegation in the management control system.

For example, the business plans are one such enabling control system that coexists with coercive regulations. The dynamic tension that arises when combining the regulations with business plans of the enabling type is expressed as an appreciated “freedom within frames” idea. The branch managers seem to value both the freedom provided to them to organize their
own work and the enabling features of the business plans, and the bounda-
ries and direction that the business plans provide them.

While having these overarching boundaries from the business plans, great
freedom in running the branches, and regulations controlling much of their
operating work, there is no need for top management to implement further
coercive control. Having the business plans together with the regulatory sys-
tem leads to a dynamic tension where the branch managers can adapt their
work to local contingences while still not jeopardizing the soundness of the
bank’s transactions. In line with a previous study (Mundy, 2010), the con-
straints of regulations but also the constraints in the bank business plan
coexist with great discretion to modify and find solutions that are suitable
for the specific conditions of the branch.

7.1.2 Simultaneous cognition

The above examples of coexistence of systems mean that some systems or
elements of the control system are designed as enabling and others are de-
dsigned as coercive at the same time. What if there are perceptions of both
empowerment and constraint, but in one and the same control element?

When talking about the different controls that the branch managers per-
ceive in their daily work, another coexistence of enabling and coercive con-
trol emerges, which is more in line with Liew’s (2012) use of the concept of
coeistence, that coexistence could mean that different individuals perceive
the same control element differently. Liew (2012) found groups of employ-
eses perceiving a control element differently: whereas one group found it to
be positive for them, another group found it to be negative.

Of course, personal opinions and/or previous experiences could affect
how one perceives a control element. For example, whereas the information
available to the branch managers mostly was thought of as positive and
giving transparency to the whole system, one branch manager expressed
some concerns about the amount of information as at times being unman-
ageable. This was, however, nothing that was raised by the other branch
managers and possibly a result of personality or personal taste. Nonetheless,
this is an important conclusion in relation to the framework of enabling and
coeercive control because, similar to what Liew (2012) concludes, while one
(group of) employee are enabled by a management control, it can at the
same time coerce another (group of) employees. These deviant opinions
were, however, rare at Alfa Bank and Beta Bank. Instead, another more
consistent coexistence emerges from both banks.
In the case of Alfa Bank and the accounts from Beta Bank’s branch managers, it was not between groups of employees or between individuals that perceptions about a control element differed, but instead individuals expressed both positive and negative assessments about the control. It seems as if not even single individuals have a coherent perception of the control elements as either enabling or coercive. In other words, many of the control elements seem to engender both positive and negative attitudes on the part of the individual.

It becomes clear when analyzing the branch managers’ reports about their perceptions of the management control they meet that whether this was something enabling or coercive was very much up to the situation to which they referred. This was most apparent concerning the coercive regulations. This was expressed, for example, when describing the obligatory forms that needed to be filled out during a customer meeting, or the specific questions that needed to be asked, although the branch manager knew the customer well. This was expressed as cumbersome while on later reflection it was said that these procedures was also positive in terms of knowing that the managers are conducting the transaction properly and making their job better. As Branch manager I says:

> I don’t think it is great fun to work with those questions, but I both understand and think it is good to have them from a customer perspective. So I don’t really have a problem with it except that it takes time. (Branch manager I)

Arguably, one control element or control system is not perceived in the same way at all times and in all respects. This is perhaps in itself nothing strange; this is rather a capability of the human mind, but still this could be a coexistence of enabling and coercive control that is not at a system level but rather in the individual’s cognition about the control system. Coexistence of enabling and coercive control then means that, although the design is not changed from enabling to coercive or from coercive to enabling, it can be perceived by the employee as being both positive and negative for their work.

### 7.2 Interaction of enabling and coercive control

Prior research suggests that a tension might be created where two different control approaches coexist (Mundy, 2010). Translated to the concepts of enabling and coercive control, this means that there is, on the one hand,
enabling control which brings with it a potential for discretion and understanding, and, on the other hand, coercive control which to a greater extent limit the employees and is not designed to bring understanding of the control to the employee.

So, coexistence of enabling and coercive control may be expressed as simultaneously existing systems which work side by side to enable or coerce the employees, or it may be expressed as a simultaneous cognition within the employees, which means that the same control systems can be perceived as being both enabling and coercive depending on, for example, the situation. But what happens in these intersections of enabling and coercive control? Do they go by unnoticed? Does it lead to any disturbance or possibilities? In what way does enabling and coercive control intersect? This study suggests that responses on coexistence of enabling and coercive control can either be as tensions or as business opportunities.

7.2.1 Tensions in coexistence of enabling and coercive control

When different concepts of control coexist, this might lead to tensions in those instances where they interface (Tillema & van der Steen, 2015). Also, at Alfa Bank and Beta Bank tensions arise. For example, when talking about control as positive and negative, empowering and constraining, and enabling and coercive, this is sometimes done in a sense of interference with their work or work processes. This means that, although the bank aims to design and use control systems that are enabling for the branch managers, coercive control can at times interfere with this intention. For example, when it comes to managing their branch, the decentralization and accountability of the results, as an element of enabling control, are interfered with by credit regulations:

For example, if we want lend money, then we might not lend as we want to because we must follow the regulations of the bank. There are a lot of rules about joint limits and how big a loan you can have without securities, and sure there can be conflicts, I can feel that. (Branch manager F)

In one way my mission is to run the branch and I should deliver a certain result, and just by saying that I should really be very free in everything I do. And there it clashes sometimes; it doesn’t work on the credit side. And again, it’s really natural when the regulations are like they are, that we cannot be decentralized to the fullest. (Branch manager B)

This can be interpreted as the system of structure and delegation not being enabling as a whole but existing together with coercive controls. At times,
these two different control systems with different intentions, on the one hand as a means of decentralization and on the other hand as a means for securing a market, intersect, creating what some branch managers perceive as a negative tension or even conflict.

An example of this is when the branch managers feel that their bank is equated to businesses that they do not see as serious or professional as them, or when they perceive that they are even more regulated than businesses which in their eyes should be more regulated. In these instances, there might be a negative tension due to feelings of unfairness regarding how the market is regulated. While the bank uses mainly enabling types of control, the bank regulations provide coerciveness, and when other businesses are perceived as not being as controlled, a negative tension seems to arise due to feelings of unfairness.

Another example is when the branch managers’ professionalism is perceived to be limited. Because of the coercive type of control at Alfa Bank, it is in some situations not allowed to use the professionality of the branch managers to make decisions and execute the work, they are basically run over by governmental regulations and directions from top management. When this happens, a tension appears in the coexistence of enabling and coercive control, with interference in the branch managers’ work as result.

Incompleteness of the control system, which previously been found to have influence on enabling and coercive control (see Jordan & Messner, 2012), is also a source of tension when enabling and coercive control intersect. An important part of Alfa Bank’s idea with the business plans is for the branches to consider local circumstances and form their work from the specific market in which they have their customers. While this is something that Alfa Bank expressively work with there are coercive controls in the form of regulations that work against this. The incompleteness of the coercive type of control at Alfa Bank is a source of negative assessments of control because this means a mismatch between the control and the conditions in which Alfa Bank are working. For example, the regulations of financial numbers and work processes that comes from governments are not established specifically for the smaller banks at smaller locations. The regulations are in this respect not believed by the branch managers to fit the local conditions that Alfa Bank are working in, thereof creating a tension between the enabling control Alfa Bank uses and the coercive control which comes from regulations.

Tillema and van der Steen (2015) uses the concept “implementing incrementally” for describing small initiatives where one control concept was
expanded within another control concept. At Alfa Bank and Beta Bank it is not about implementing but rather a progressive development of regulations from governments, the EU etc. which incrementally makes the branch managers used to coexistence of enabling and coercive control. This progressive development was described by several branch managers, however Branch manager L expressed it expressly concerning the increasingly tight regulations:

I think people are prone to change and if you had asked Beta Bank two years ago “can you consider to do this and that? ‘No never!’”, so it is completely different today. (Branch manager L)

In a time when the regulations increase and the banks are more scrutinized by governments the branch managers, and the banks, are gradually accustomed to this kind of coercive control.

7.2.2 Responses to coexistence of enabling and coercive control

These instances of tension are responded to in a few different ways. Similar to Tillema and van der Steen (2015) I have found that the branch managers respond to tensions by decoupling the purposes of enabling and coercive controls. Whereas Tillema and van der Steen (2015) have an organizational perspective on decoupling, this seem to also be found in individuals’ responses to coexistence of control. Viewing the business plans and the regulations as serving different purposes the branch managers could see the benefit of both the freedom that the business plan provides to them and the constrain the regulations meant. Regulations are thought of as necessary for sustaining a sound industry, protecting the customers and keeping unserious competition out from the market. At the same time the purpose of the business plans is to make possible a flexibility for the branch managers to run the branches as they believed suitable but still keeping all the branches on the same rout. This served instead the purpose of the internal business making. For instance, a separation between the control approaches is made by not putting too much headaches on the coercive parts, because these are thought of as uncontrollable and not be influence by such small bank as Alfa Bank. It is considered better to focus on such things they can influence, such as key numbers and business plans. This distinction in purpose between enabling and coercive control makes the control approaches possible to coexist, as the tension described above is mainly constructions made by the branch managers and these tensions can be coped with by separating the purposes of the controls.
Another response is to decouple themselves from the coercive controls and accept them as they are governmental regulations and therefore unchangeable. Statements like “there is no point to bother”, or “it is better to put energy on the things you can influence” implies that although the regulations are not always of direct benefit for the branch the branch managers distance themselves from it, as it is something untouchable and the best one can do is to accept that the regulations are there whatever they might think about them:

But when you understand it, in a way it’s just to accept, it affects everyone in the industry it is not just us or this branch but all have to relate to it. […] So, it is only to accept. (Branch manager B)

For these branch managers it is a matter of acceptance and in a way distance themselves from the regulation because they are outside the branch managers’ influence. It even seems as control and regulations are something that the branch managers do not think about that much. Of course, the regulations are always present and affect their work significantly, but much of the tension between regulations and the need for flexibility was surrounded with acquiescence. This means that they are accepted without protest, however not always with great enthusiasm. This is instead a way to come to sense with coercive control that limit their actions; to focus on the things they can influence and to distance themselves from what they cannot.

Going back to the theory of enabling and coercive control, another way of viewing this could be by the zone of indifference. Similar to acquiescence, zone of indifference expresses the state when the individual perceive the control as neither positive nor negative, but accept the control whatever it is because of the authority from which the control is imposed (Adler & Borys, 1996; Barnard, 1968).

This is not to say that the impact of regulations is denied or diminished, on the opposite this is much acknowledged. The way the branch managers distance themselves is to reason that this heavily regulated control is so natural and obvious that it is nothing to spend time or even thoughts on; partly because the banking business would not work without it and partly because it would not do any difference even if they had opinions about it.

The branch managers at Alfa Bank and Beta Bank are not indifferent, I would say, about the control that is neither totally enabling nor totally coercive. Rather, they talk about it as an acceptance of the control. Acceptance differs from indifference, because indifference indicates that the individual
does not care or does not have an opinion about a certain event, phenomenon or whatever is studied, whereas acceptance indicates that the person legitimizes it, perceive it as being valid or suitable. However, this does not necessarily mean that it is facilitating for the person or that the person is overly excited about it. Of course, acceptance can mean that the individual also has positive attitudes, and positive attitudes require acceptance; it is difficult to have a positive perception about something while not accepting its existence. However, this does not hold the other way around; one can accept something while having negative assessments about it. Surely, we often meet things that are inconvenient or disturbing to us, but we still accept them for one or another reason.

Back to Alfa Bank and Beta Bank, the branch managers’ attitudes to some of the control elements they meet seem to be about just accepting the way that regulations are interfering with their work but also some intra-organizational control elements, such as the limitation in decision mandates.

Looking closer at Barnard’s (1968) concept zone of indifference, acceptance is also part of his notion. In fact, Barnard (1968) is more concerned with acceptance than indifference. The zone of indifference in Barnard’s (1968) view means that individuals perceive an order as acceptable because they accept the authority from which the order comes. The order is unquestionably accepted and complied with because there is acceptance in the authority from which the order comes. (Barnard, 1968). This focus on acceptance rather than indifference is shared with Simon (1976) as he chooses to adjust the concept zone of indifference to zone of acceptance. This was mainly a signal of “a change of emphasis from the […] negative bridging concept to a more active, affirmative one” (Stewart, 1989, p. 418); however, it supports the idea put forward in this thesis that understanding zone of indifference as acceptance may be useful. This could be what is expressed by the branch managers when they, in a rather dejected yet accepting way, comment on some of the control elements that they at times seem to have neither very positive nor very negative perceptions of.

Because of the lack of research on what is found between the extremes or ideal types of enabling and coercive control, this study and the case of Alfa Bank and Beta Bank provide one step in further understanding the zone of indifference related to enabling and coercive control. An important part of this step is that the zone of indifferent can be understood as not indifference but acceptance.

The case of Alfa Bank and Beta Bank illustrate some important insights into how enabling and coercive design and attitudes relate. It does not, from
the case of Alfa Bank and Beta Bank, seem as if one can equate an enabling design with positive employee attitudes, or a coercive design with negative employee attitudes, as perceptions of the control have in this study been found to be inconsistent with that notion. This means that attitudes can vary without the design varying, affected by things other than the control design (cf. Tessier & Otley, 2012). Although this is merely a theoretical conceptualization, it may have consequences for how enabling and coercive control is studied and how we understand that attitudes can vary as an outcome of design. Importantly, this does not refute the original idea of the theory, that we can explain attitudinal outcome by design and use of control, but rather opens up for a more nuanced description of the relation. It is still possible that enabling control design leads to positive attitudes and coercive control lead to negative ones; in fact, it is quite likely that a flexible, reparable and transparent control will have positive effects on employees’ attitudes to it. However, as the study of Alfa Bank and Beta Bank show, other factors such as, for example, the contextual setting the individual is embedded in, may also influence attitudinal outcomes. For example, a heavily regulated context has in this thesis been shown to include coercive control being perceived as positive, or control being perceived as both positive and negative at the same time.

7.2.3 Business opportunities

Interestingly, a second way in which enabling and coercive control intersect is when the coerciveness of regulations and decision mandates are thought of as not only constraining of the branch managers’ discretion, but also as an opportunity for doing better, or more, business. If the coexistence of enabling and coercive controls may lead to the branch managers feeling disturbed and interfered with as described above, it may also have positive sides to it when the regulations and decision limits together the enabling management control system actually help the branch managers in finding business opportunities or making their work better. In this respect, it becomes quite apparent that the branch managers have great trust in the governmental regulations, understand that they exist for a reason and are necessary for the industry. This positive side of coexisting control approaches is expressed both as a quality assurance and as a help in collecting information which might lead to further businesses.

It is a common perception among the branch managers of this study that, although some of the strict and extensive regulations constrain their work and force them to adopt routines and processes which they feel unnecessary,
they can also make the quality of the work increase, or even open up for further businesses:

If you can ask all questions in a positive way and draw some more information out of the customer, then you can in the best of all worlds make better deals, combined for both the customer and the bank. (Branch manager L)

When forced to ask certain questions to the customer, it may introduce new needs which the branch manager can meet with other services, i.e. making business opportunities. In these cases, the regulations influence the employees in doing things that they would not do by themselves, but in a positive sense leads to exploration of uncovered areas of potential business opportunities.

To have freedom within frames and at the same time be controlled by regulations seem not only to constrain the branch managers’ actions, but also be perceived as a quality assurance and make their work better:

Well, the positive [with regulations] is that I am sure we make better deals. We do fewer transactions but the ones we do are more controlled and all of that, which in turn leads to us becoming a good bank. (Branch manager A)

Within the freedom and enablement that the business plans provide to the branch managers, the regulations sometimes serve as a way to ensure the quality and set boundaries. In the event of freedom and flexibility intersecting with regulation, for example in negotiating about amortizations of a loan, the regulations can, although limiting their discretion, be felt as something positive. Governmental regulators are thought by the branch managers to be actors that have the larger picture, being the ones seeing the needs and risks for the industry, customers and society and using regulations to govern what is necessary in order to maintain a sound banking industry and market. Governmental regulations certainly seem like something that feels safe and legitimate and therefore increase the quality of the work.

Another example is when the branch managers are required to ask questions that they feel to be unnecessary or even uncomfortable, and the customer might react negatively to. In these cases, the regulatory requirements can at the same time act as an explanation and argument for why the questions must be asked. But, these coercive questions also serve as a reason for not taking on a potential customer. If a customer strongly reacts, opposes this, or does not want to answer some of the question which must be answered, this is an indication that perhaps not everything is as it should be and then the branch managers uses this as an argument for not engaging
with the customer. In these cases, the regulations actually work as quality assurance by helping, and importantly legitimizing, the branch to be selective in their engagements.

Do these two examples sound like enabling control design? Well, the outcome might be positive for the branch managers’ work. Regulations are seen as a matter of quality control. The branch managers feel that having regulations is a security for doing the right things in the right way. In fact, regulations are seen as necessary and good in substance:

If we didn’t [control the branch according to regulations] we wouldn’t know about the branch and you couldn’t be calm and trust it either. Now you know about the quality and you know where there are deficiencies and where we are really strong, and then you can work on that and strengthen what’s good and make what’s bad better. So, no, I don’t think it limits [me], rather supports me actually. (Branch manager D)

However, as enabling control in the theory of Adler and Borys (1996) is proposed to include repair and flexibility, these cannot be seen to occur in these regulations (see Chapter Six). Nor is transparency relevant because internal transparency means understanding of the logic and rational of the control element itself and global transparency means understanding how one’s work relates to other parts of the organization or external factors. Those features are not apparent in these statements. Still, in coexistence of enabling and coercive control the outcome can be a negative tension which the employees must cope with or it can have positive outcomes as shown in this section.

7.3 Summary

This chapter has addressed the coexistence of enabling and coercive control at Alfa Bank and Beta Bank. This has been done from a few different conceptualizations of coexistence, such as simultaneous system and simultaneous cognition. It seems as if the outcome of coexistence of enabling and coercive control at Alfa Bank and Beta Bank can go either towards more enablement (supporting better deals) or more coercion (limiting discretion). In other words, coexistence of enabling and coercive control could strengthen or moderate the outcome of the control design. In the case of Alfa Bank where the overall management control system to large extent is designed as enabling and perceived as positive for the branch managers, co-
ercive control in the form of regulations and limited decision mandates existing at the same time will in some respects increase the positive outcome and, in some aspects, increase the negative outcomes.

Furthermore, responses to coexistence of enabling and coercive control have been identified. The analysis of coexistence of enabling and coercive control from the question of how employees respond to such coexistence show that the negative tensions are responded to by the branch managers by decoupling: both by decoupling the purposes of the control approaches, legitimizing both enabling and coercive control as serving different purposes, and by decoupling themselves from the control and acquiescing in the control. However, coexistence also creates a positive tension in the form of business opportunities, responded to as a means of quality assurance and information collection. It is not from this study, nor in the purpose of this study, possible to determine in what specific situations coexistence of enabling and coercive control is either positive or negative; it all seems to depend very much on the specific situation or the unique relation with the customer.
CHAPTER 8

8 Conclusions and contributions

This thesis takes as its starting point the notion that the context in which control is executed has certain implications for the control that is being implemented. Importantly, the thesis focuses particularly on how the subjects of control (the employees) perceive and respond to management control.

The aim of the thesis is to contribute to knowledge on how formal control relates to attitudinal outcomes. Here, the theory and concepts of the growing literature on the theory of enabling and coercive control have been scrutinized and used to explain attitudinal outcomes of control in organizations with substantial workflow formalization and extensive regulation. Two research questions emerged from the previous literature on the theory of enabling and coercive control in order to fulfil the aim:

- What is perceived as enabling and coercive in a control system in a regulated (bank) context and why?
- How, and in what way, does employees respond to coexistence of enabling and coercive control?

I have above shown how the concepts of enabling and coercive control and the theory of enabling and coercive formalization (Adler and Borys, 1996) can be used in order to explain attitudinal outcomes among employees in organizations that serve under highly regulated conditions and institutional determinants as well as strong internal management control, here represented by the context of banking.

In this chapter, the conclusions and contributions of the thesis are presented. The structure of the following sections is outlined from the two research questions, which emerged as a consequence of the literature review as presented in Chapter Two. I address these two questions and outline the empirical findings that have derived from the analysis. From this, combined with the conceptual elaboration made in Chapter Three, I then account for what I suggest to be the contribution of the thesis to the literature of enabling and coercive control. Last in this chapter, I discuss limitations of this study and suggestions for future research.
8.1 Empirical findings

8.1.1 Research question one
From the case study in this thesis it is apparent that the business plans play a significant and important role for enabling control. By designing the business plans with features such as flexibility, repair and transparency, the plan provides the branch managers with a frame of reference within which they (can) act and have considerable discretion. The business plans become a tool and support document for the practice of enabling management control in the organization.

Similar to observations made by Wouters and Wilderom (2008) and Groen, van de Belt, et. al (2012) in the development of performance measurements, one can conclude from this study that developing business plans partly based on employees’ experiences and key knowledge contribute to an enabling control design. As is empirically shown as well as evident from the analysis, employees play an important role in the development of the organization’s business plans and take an active participative role in the business planning process. I have also shown in the analysis that employee participation in the business planning process (e.g. development of business plans) generates a foundation for the enabling design of this management control.

Also in line with empirical findings in Ahrens’ and Chapman’s (2004) study, top management participated in outlining the direction and interpretation of the business plans which supported global transparency in the business plans. Similar to workshops initiated by head office (Ahrens & Chapman, 2004), the process of developing the bank business plan and the branch business plans provided the branch managers with an understanding of the bank as one unit, as well as issues in the wider context of the organization, results in the branch managers perceiving the control as empowering for their work.

Another finding of this study is the performance measurement system that is designed with enabling features such as repair and internal transparency. More specifically, the performance measurements can be repaired with complementing information and are transparent (internal) in what performance measurements are used, the definitions of the measurements, and what affects the outcome of the measurements. In contrast to Jordan and Messner (2012) who found flexibility to be central to positive attitudinal outcomes of incomplete performance measurements, I have here found the feature of repair to be central in regarding performance measurements as empowering.
Routines and processes have also been found to serve as being of the enabling type of control. Within the organization, adjustments of routines and processes can be made and even improved (i.e. repaired when found necessary). Adjustments and improvement of routines and processes are, as previously and empirically shown, often initiated by the employees and sometimes, in discussion with top management, customized and modified to fit local contingencies. This is in line with previous findings of how standards, processes and routines can be designed as enabling. Repair but also flexibility has in previous research been associated with enabling routines and processes (see Ahrens & Chapman, 2004).

Even if the institutional structure of the organization serves as a determinant of how work is being conducted, I have clearly shown that also routines and processes can be of the enabling type in the management control, primarily as a consequence of employees’ participation, ability to repair, and being flexible with the routines and processes.

From this the following conclusions can be made: Employees in highly institutionally regulated environments and where the organization operates with extensive economic, institutional, and operational structures, perceive enabling control design through the participation in developing business plans, business planning processes, performance measurement systems as well as in routines and processes in the organization.

In this case study, it is shown that Alfa Bank employs mostly enabling control, by following the enabling control logic (Adler & Borys, 1996) in several control elements. Still, coercive control is also prevalent and to a large extent provides the boundaries for what can be done and also how work and work practices can be conducted and adjusted to local conditions.

Whereas the very limited previous research on coercive control has associated coercive control with a mistrust between top management and middle managers (Ahrens & Chapman, 2004), this is not supported by this study. Instead, coercive control is mostly associated with the regulative context in which banks operate. In other words, it can be concluded from this study that coercive control primarily consists of legislative conditions as well as institutional actors’ regulations and policies.

The lack of global transparency in specific regulative rules has been found to lead to perceptions of unfairness where regulations do not facilitate the employees’ work, indicating coercive control. Empirically, it has been evident that the lack of global transparency may lead to perceptions of unfairness among employees, as the regulations are not customized to the bank, but instead regulate at a national or international level. Consequently, the
lack of global transparency and prevailing regulation provide boundaries and limitations for the employees’ work and local contingencies.

Lack of flexibility in the legislative, regulative and policy structures have a determining effect on management control also to constrain employees in their work. External institutional regulations (e.g. the legislative structures) serve as an important foundation for the coercive control of the organization, with implications for both managers and employees. This is particularly evident within the banking industry, where banks must comply not only with national legislative, regulative and policy conditions, but also with international legislative, regulative and policy structures. Given the fact that the legislative, regulative and policy structures are being determined by other institutional actors (e.g. government, Finansinspektionen, the European Union) banks will have little or no possibility to affect or change these structures. In other words, legislative, regulative and policy structures that are determined by institutional actors to a significant extent determine the work as well as management control locally (in the local bank).

To add a few nuances to this, the organization can to some extent design its own management control system, including both enabling and coercive features. However, institutional actors (e.g. government, Finansinspektionen and the European Union) stipulate legislations, regulations and policy structures that override local practices and such stipulations have implications for what design can be developed in the local organization and how this is done. The local organization has to comply with legislations, regulations and often chooses to follow policy structures, but has a (limited) scope for autonomy in the design of certain elements in the management control system.

However, other control elements too, such as decision limits, provide boundaries and are therefore perceived as constraining. These boundaries and limiting control structures consequently lead to halts, interruptions and extensions of work processes, generating delays and obstacles for effective handling.

In the light of the research question “What is perceived as enabling and coercive in a control system in a regulated context, and why?” it is possible to conclude that enabling and coercive control coexist in a highly regulated context (such as the banking industry). It should, however, be noted that a simple distribution in-between the enabling and coercive controls cannot be limited to such conditions that enabling control and what is perceived as enabling in the organization are only related to aspects concerning factors (e.g. the business plan, business planning and performance measurement
systems) that the organization and its members can affect and change. Consequently, it will also limit our ability to elucidate coercive control only by stating that it is dependent on institutional actors (e.g. government, Finansinspektionen and the European Union) and legislative, regulative and policy structures.

For this reason, we need to nuance the discussion further. Intra-organizational control can be both enabling and coercive in the sense that, on the one hand, top-management in the organization can decide to design the management control system so that it has a character and features that are both enabling and coercive. On the other hand, top-management in the organization is also (partially) determined by legislative, regulative and policies structures that they must not only take into consideration, but rather comply with.

An example of when top-managers can decide on coercive control is when they make a decision regarding decision limits for the employees. The decision limits imply that the employees only have a certain economic value in a transaction on which they can make a decision. This is something that is not stipulated in any legislative, regulative or policy structures as defined by institutional actors, but rather a local practice (in the bank). It is shown in the analysis that certain control components (e.g. decision limits) are seen as coercive, but also with an understanding for their role and function, providing a sense of security to the branch managers. Not surprisingly, legislation and regulations are often regarded as being coercive.

8.1.2 Research question two
The aforementioned conclusions have implications for the theory of enabling and coercive control. Enabling and coercive control coexist in highly regulated contexts such as the banking industry. This is something that has been addressed only to a limited extent in previous research. Some researchers have noted that there is a coexistence of both enabling and coercive control (e.g. Ahrens & Chapman, 2004; Liew, 2012). However, in its analyses, the majority of research on enabling and coercive control has to a large extent neglected coercive control.

Furthermore, with a few exceptions (e.g. Liew, 2012; Väisänen et al., 2018), few studies on the coexistence of enabling and coercive control have taken into consideration the outcomes or responses of coexistence of enabling and coercive control. The prevailing assumption in previous research seems to be that coexistence of controls does not affect the employees’ perceptions. Focus in these previous studies has been on the design aspects of
coexisting enabling and coercive control. In this study, I clearly show that coexistence of enabling and coercive control creates tensions perceived by the employees as being both positive and negative for their work.

The second research question in this thesis is concerned with how employees respond to coexistence of enabling and coercive control. In situations where the branch managers must relate to both controls that are of a coercive type, such as regulations, but also internal control elements, such as decision limits, and enabling type of controls, such as the branch business plan and operative routines, a negative tension can occur leading to perceptions of interference with the branch managers’ work. In contrast to Mundy (2010) who addressed the organizations capability of handling (i.e. balancing) coexisting control approaches, I have in this study focused on the employees’ responses to coexistence of control approaches.

In the present work, I show how coexistence is manifested in a banking context and how employees at the intersection of different control approaches respond to this by decoupling the different control approaches, acquiescing with current control and drawing on global transparency.

When tensions between enabling and coercive control arise, the branch managers respond to this by viewing the controls as serving different needs and by in a sense legitimatizing the coexistence of enabling and coercive control. Drawing on adjacent literature on coexisting controls and how employees are coping with the tensions arising, decoupling is one such strategy also found in this current study. Here, as well as in Tillema & van der Steen (2015), decoupling refers to different controls having different purposes. It is evident that the branch managers in this study decouple the two types of control from each other, arguing that coercive control serves the need for ensuring a sound industry and serving the best interests of the customers, whereas enabling control serves the banks and branches’ interests.

Decoupling has in previous research, for example Tillema and van der Steen (2015), been identified as a way for the organization or top management to handle the tensions that may arise in coexisting control approaches. This study also shows that even the employees who are the subject of control decouple controls from each other in order to legitimize the existence of substantial control. This implies that the employees are active in constructing the relationship between the controls and are not only recipient of a meaning provided to them by top management or other actors. Hence, these arguments provide potential implications for questioning the underlying assumption of the employees’ role in the theory of enabling and coercive control. In previous research on enabling and coercive control, employees
are often portrayed as being passive and reactive, whereas I have shown above that even the employees take an active role and are being active in constructing meaning and showing acceptance of the control system. These findings are supported by Englund and Gerdin (2014), who also argue that employees construct mental maps and make sense of the control system.

The other way the branch managers have been found to respond to tensions arising from coexistence of enabling and coercive control is by acquiescence. Acquiescence in control was quite apparent in this study, but has not previously been recognized in relation to enabling and coercive control. Although previous research has partially contributed to our explanations of enabling and coercive control, it has however, neglected this potential and, as argued in this thesis, is an important outcome of control.

Acquiescence might come across as a strange choice of word. A synonym to acquiescence is acceptance. The branch managers’ response is about acceptance and accepting the conditions and stipulations of coercive controls as being formulated by institutional actors. However, it should be noted that, acceptance risks in this context being associated with too much of a positive perception. Also, in enabling control design there is acceptance. Acquiescence is, according to the Cambridge Dictionary, “to accept or agree to something, often unwillingly”. This “often unwillingly” or perhaps also “reluctant” is important, because this is a response to the negative tensions that may arise in the coexistence of enabling and coercive control.

When coexistence of enabling and coercive control generates a tension that is regarded as positive, this has in this study been found to relate to global transparency. As coexistence may lead to positive outcomes for the branch managers, for example as quality assurance, the underlying rationale of the control being perceived as positive seems to be related to global transparency, i.e. understanding the control in relations to aspects outside one’s own organization (cf. Ahrens & Chapman, 2004). The fact that the coerciveness in the coexisting controls serves to maintain a sound industry and protect the customers causes the branch managers perceive the control as positive, as they understand the control in its wider context (e.g. implications for capital and financial markets and the financial system). By motivating the control from this wider context, the coexistence does not solely interfere, but is seen as something positive also from the branch manager’s perspective; as quality assurance and guides for acting in a normatively correct manner. This is similar to observations made by Väisänen et al. (2018), who observed employees having different perceptions about the same control depending on the assessments were made with reference to an individual
or at a collective level. When assessing the control from a collective level, the control was perceived as positive for them as it served a purpose for the entire organization (Väisänen et al., 2018).

This leads to yet another conclusion: Coexistence of enabling and coercive control is responded to with, and legitimized by, decoupling, acquiescence and drawing on the understanding provided by global transparency. At a general level, this conclusion supports previous research that has found coexistence of enabling and coercive control, such as that by Ahrens and Chapman (2004), Mundy (2010), Liew (2012), and Väisänen et al. (2018). In addition, this thesis also provides deeper insights into how coexistence can be expressed both from a design perspective (what coexistence of enabling and coercive control is in banking) and through employee perceptions (how the employees respond to such coexistence).

8.2 Contributions

I will now present and argue for the most important contributions this thesis makes to the literature of enabling and coercive control. Three contributions are presented below and include 1) conceptual clarification, 2) global transparency beyond the organizational boundary, and 3) implications of coexistence of enabling and coercive control.

8.2.1 The theory of enabling formal control

This thesis highlights the fact that there are two approaches in the literature of enabling and coercive control that have not been thoroughly differentiated. These two approaches are fundamental for the application of the theory and previous research has mainly adapted one or other of them.

In one approach, enabling control is considered as anything that enables employees in their work, whereas there are multiple possible reasons for management control serving as enabling employees, Adler and Borys (1996) serves merely as a reference to pinpoint that formal control is not always bad and that management control in organizations also serves the purposes of helping employees ‘master their tasks’, and also proposes one specific design approach for explaining positive outcomes of control.

Important for this approach is that the concepts developed by Adler and Borys (1996) are used primarily as concepts for labelling and categorizing, and in some cases another theoretical perspective is applied in explaining outcomes of control (e.g. sense making in Jordan & Messner, 2012).

In the other approach, enabling control design is used as depicted in the theory developed by Adler and Borys (1996). Here, the concepts, proposed
relations between concepts, and assumptions are taking into account and used as a theory for explaining attitudinal outcomes from an employee perspective.

Whereas a majority of previous research has adopted the first approach (for exceptions, see Chapman & Kihn, 2009; Mahama & Cheng, 2012), I have chosen the second path. However, it is evident that using Adler and Borys (1996) as a theory of enabling control design means that there is a need for some clarification of core concepts and the underlying theory. Indeed, this is also what Adler and Borys (1996) themselves suggest and encourage when concluding their now seminal article. In what follows, I present three such theoretical and conceptual clarifications that I consider necessary and an account of how these contribute to the theory and framework of enabling and coercive control. From my empirical study it is also evident that these theoretical and conceptual elaborations are useful for the study of enabling and coercive control.

Distinction between design and perception

First, I have in Chapter Three emphasized the importance of differentiating perceptions of control from design characters. The foundation in the theory of enabling and coercive control is that control design influences attitudinal outcomes. This indicates that design (enabling and coercive control features) and perceptions of control (here conceptualized as psychological empowerment and constraint) should not be viewed and used as the same.

In this study, I show that, although regulations do not entail features of enabling control that promote discretion (flexibility and repair), the employees seem not to perceive them as being solely negative. It should also be noted, and as evident from the analysis, that coercive control does not always generate solely negative attitudes among the employees. Thus, the distinction between the design dimension and perception dimension as suggested initially is supported by the empirical findings of this study.

Notably, it is shown in the analysis that some of the regulations that lack the feature of flexibility are perceived as unfair as the branches are either controlled in the same way as other, larger, commercial banks operating in other markets with other conditions, or because other actors (in the financial sector’s “grey zone”) do not have such extensive regulative pressure as do banks. That positive perceptions of control are related to perceptions of fairness in the control is something supported by Hartmann and Slapničar (2012). However, contrary to intra-organizational control such as performance measurements or performance evaluation (Hartmann & Slapničar, 2012).
2012), in the case of regulation top management seemingly have no control in affecting the fairness. Thus, the possibility for the organization to fully design the control to lead to positive or negative assessments seems to be limited. Accordingly, design in this theory is something other than perceptions of control. In order to understand such empirical findings, I argue that we must distinguish between what perceptions and attitudes there are of a control and what design might, on a theoretical basis, lead to certain attitudes. With such persistence in distinguishing design and perceptions I have in this thesis found the theory of enabling and coercive control useful in capturing the complexity that characterize how employees in this study perceive control.

When dealing with the term control design, it is also important to emphasize that the concept of enabling control is based on the perspective that employees using control systems can potentially gain from them in mastering their tasks. As such, and to clearly distinguish it from what is normally viewed as control design (tightness/scope/detail etc.) within the management control literature (e.g. Chenhall, 2003), I have proposed the term design for use as a means to better pinpoint the very idea underlying design characteristics within the enabling control perspective.

Zone of indifference
Second, I have in Chapter Three argued for a clarification of the dimensions design and attitudinal outcomes as two continuums rather than dichotomies. This is supported by Adler and Borys (1996), although they treat the dimension type of design as a dichotomy in order to simplify the dimension. I have in this thesis argued that such simplification does not well serve our use of the theory or our understanding of attitudinal outcomes of control. Instead, such simplification risks missing the complexity that exists in employees’ perceptions of control and which this study has shown.

On this note, a related concept, zone of indifference, which involves acceptance, has previously been associated with the theory (see Adler & Borys, 1996) but has not been given attention in the research on enabling control. Not surprisingly, acceptance and acquiescence of control seem to be perceptions of control. The close association between the acquiescence found among branch managers in this study and the concept of zone of indifference implies that the zone of indifference may theoretically play a more central role in understanding perceptions of control than previously recognized, and arguably deserves more attention in future research. Perhaps one important aspect of management control is that it does not necessarily enable
employees, but simply that we, as employees (have come to) accept and are indifferent to much of the control and formalization surrounding our work practices.

This contributes to the framework on enabling and coercive control by allow a nuancing of the possible outcomes that can be captured within the theory of enabling and coercive control. Together with the conceptualization of outcomes of control proposed in this thesis, psychological empowerment and constraint, the zone of indifference provides a conceptual apparatus of capturing perceptions of control rather than positive or negative attitudes.

**Dual roles vs. quality**

Third, in line with Tessier and Otley (2012), I argue for a clarification of the theory of enabling and coercive control regarding whether the concepts represent dual roles or qualities. Dual roles mean different controls serving different purposes, whereas quality is the evaluation of whether a control is good or bad.

This study supports enabling and coercive control design being dual roles rather than qualities. As this study shows that enabling and coercive control cannot easily be equated with positive or negative assessments, and that employees’ respond to coexistence of enabling and coercive control by decoupling, it is reasonable to argue that the design types do not represent a quality, but rather serve different purposes: promoting creativity or ensuring predictability.

Such a clarification contributes to a clearer distinction between design and perception, but also that between the definition and conceptualization of enabling and coercive types of control. The contribution to the literature of enabling and coercive control is that design of enabling and coercive control represents dual roles, whereas enabling and coercive types of control serve different purposes. On the other hand, perceptions of enabling and coercive control as positive or negative represent the quality of the control, which in turn may be dependent not only on the design, but also on other things, such as the specific setting, condition, and context in which the control is implemented.

**8.2.2 Global transparency beyond the organization**

One contribution to the framework on enabling and coercive control emerging from the empirical study concerns the concept global transparency. Global transparency has, as shown in Chapter Three, in previous literature
been defined as an understanding of how one’s work fits into the larger picture, or the wider context of that work. This has been equated with within the organization but beyond the individual employee level (e.g. Englund & Gerdin, 2014; Free, 2007; Wouters & Wilderom, 2008). Previous research has when studying global transparency, thus not taken into account aspects beyond the organizational boundary.

In fact, in Adler and Borys’ (1996) notion, there is no expressed limit to what aspects to consider in the feature of global transparency. In other words, when introducing the concept, Adler and Borys (1996) did not limit the feature only to be concerned with transparency within the organization; they actually say “the broader organization and environment” (p, 73, my emphasis). However, research following Adler and Borys (1996) within the management control literature have adopted such a view, meaning that global transparency have for example been associated with an understanding of other departments (Ahrens & Chapman, 2004), or an understanding of the link between the control system and the organization’s overall strategy (Jordan & Messner, 2012).

This case study in this respect shows and addresses some deficiencies in previous applications of the enabling control theory. In other words, no prior research on the theory of enabling and coercive control has, to my knowledge, explicitly taken into account contextual aspects such as industry or regulatory condition in the investigation of enabling (and coercive) control. This study shows that employees appreciate that the control serves a purpose not only for top management to control the branches, but the better good of the industry and their own business. This is central in perceiving control as positive and seems to be part of the rationale from which the branch manager perceives control as positive for them and their work.

This study puts forward an illustrative example with the regulations as a main controlling element of how employees are aware of the organization in a broader context: as an actor in an industry of other banks and financial companies/organizations, and as an actor affecting, but also being affected by, the society in which they act. Another example of this is the local control practices regarding decision limits. Decision limits, although seemingly coercive in their design, are perceived by the branch managers as being positive as it is regarded as necessary to have limits to what decisions can be made at what levels of the organization.

Although there is no flexibility or repair to be found in the regulations and decision limits, transparency leads to the control being perceived as positive for their work and above all transparent in how it serves to protect
the organization. Based on this study, I argue that, with the prior framework on enabling and coercive control we would not be able to fully explain all positive attitudinal outcomes found in this banking case. From this thesis, it is possible to conclude that global transparency as a feature of enabling control extends outside the organizational boundary, to the industry and the societal domain.

As outlined in the literature review (Chapter Two) in this thesis, scholars have adopted a variety of models and explanatory factors, and the majority of scholars have thus been occupied with single-level models. That is, both ‘dependent’ and ‘independent’ variables are situated on the same level of analysis. Still, the results of this thesis show that there are good reasons to believe that we need to go beyond previous single-level models and to consider multiple-level models where we take into consideration the institutional level of analysis. This thesis, thus, promotes the importance of multiple-level models (see Luft & Shields, 2003). I have here pointed to the possibilities and consequences if such a level of analysis is added.

On this note, as argued from this study, employees in banking more or less willingly accept control and regulative constraints. But, there is more to this than acceptance. There seems also to be a normative view of such control and regulation which does not only entail acceptance, but also promoting, arguing for, and take for granted, such control.

It is not only that the employees accept such control; they also think the control is good and necessary, despite the lack of discretion it entails. Possibly, it is embedded in the context and the institutional field to which the organization belongs that they are controlled and that coercive control is not necessarily something bad. The fact that attitudes towards such control practices are also embedded in a specific context is not only possible but most probable.

This conceptual elaboration of global transparency suggested here would arguably also be usefully applied on other organizations, in particular where there are institutional structures that stipulate the management control in the organization or/and there are regulative structures having a direct impact on the organization’s work practices. Such organizations could be in industries where there is extensive regulation similar to the banking industry, or where there are institutionalized standards. In line with Messner (2016), such industrial specifics may have considerable implications for the management control practice, and what is considered to be natural, positive, and legitimate is potentially not so in other industries because of the institutional and regulative structures existing beyond the organization.
The fact that some contexts entail institutional specifics is not a new idea; on the contrary, it is surprising that such conclusions and arguments have not been advanced already in the framework on enabling and coercive control. For example, ideas from institutional theories about institutionally shared understandings suggest that we can understand social phenomenon as influenced by the institutional environment in which they are acted (e.g. Meyer & Rowan, 1977). Furthermore, the perspective of regulatory culture is suggested to capture shared understandings between the regulators and actors being regulated (Meidinger, 1987). Arguably, perceptions about control and regulations may be stipulated in a culture not only shared within the organization but rather embedded in the institutional and regulative context, involving external actors, cultures, and structures.

This, I suggest, supported by this thesis’s findings of global transparency as representing enabling control, is something that the framework on enabbling and coercive control should embrace. It would also be in line with developments in accounting research, towards much more thoroughly acknowledging the significance of the organizational and/or institutional context (Messner, 2016).

Related to the previous research on enabling control, this conclusion and discussion extends our understanding and demarcation of global transparency by going beyond an intra-organizational focus and also including external variables when taking into consideration legislation, regulations and policy structures that have implications for the industry and society. Theoretically, this would also provide opportunities for better explanations of attitudes to control (cf. Messner, 2016).

An extension of previous definitions of enabling and coercive control should, therefore, as a consequence of this study, include the fact that scholars should take into consideration not only management control structures, but also include both organizational structures and institutional structures. In other words, whereas previous research has been limited in its ambition to take into account multiple-level explanations, it is evident that this study clearly show that institutional structures influence the employees’ perceptions of control. Whereas global transparency in previous research has been about an understanding of how one’s work fits into the wider context of the organization, thus, how one’s work affects other work processes or other departments (Ahrens & Chapman, 2004) and in this way understanding the rationale behind the control, global transparency has in this thesis been shown to move beyond the organization’s boundaries.
8.2.3 Coexistence and simultaneous cognition

The research on coexistence of enabling and coercive control is scant, even though several researchers have found coexistence of enabling and coercive control (Ahrens & Chapman, 2004; Liew, 2012; Mundy, 2010; Väisänen et al., 2018). This study contributes to this line of literature by showing how regulatory demands and seemingly coercive control demands coexist with business plans that allow branch managers discretion and facilitate understanding of the control system.

This thesis also contributes to the conceptual understanding of coexistence of enabling and coercive control. Coexistence is suggested to be both simultaneous systems with enabling and coercive control designs working in parallel and as a simultaneous cognition where a control element can be both perceived as having enabling design features and coercive design features at the same time; and thus, also affecting the attitudes of the same control element differently. In this thesis, both types of coexistences have been found, but some special attention is now paid to the later and the theoretical implications this has for the theory and framework of enabling and coercive control.

The findings of this study clearly indicate that empirical investigation into enabling control leading to positive attitudes and coercive control leading to negative attitudes is a much fuzzier matter than previously acknowledged in the literature. It is evident from this study that employees do not have only either positive or negative perceptions of a control system. Rather, a control can be perceived as both positive and negative for them. In other words, in some situations or in some respects, a control might be positive while in another it is negative. This is in line with and supported by findings in Väisänen et al. (2018) where employees assessed a control element as being both positive and negative at the same time but for different reasons.

This has implications for how we conceptualize the coexistence of enabling and coercive control, as not only being designs existing side by side (Ahrens & Chapman, 2004), but as designs that can be assessed both as enabling and coercive at the same time. This could then help us explain why there is not a clear distinction between enabling and coercive control (coercive control is also perceived as empowering) (Englund & Gerdin, 2014; Väisänen et al., 2018) or why employees may change their perceptions of a control over time (Jordan & Messner, 2012). In addition, this would also explain why control such as decision limits and regulations containing substantial coercive design features are in this study perceived as also positive or even empowering for the branch managers.
This also has some methodological implications for the study of enabling and coercive control. Adopting such a view of coexistence and the premises for enabling and coercive control indicates a complexity which requires a method for capturing such complexity. A too beforehand distinction between the control designs, where the complexity of people’s perceptions cannot be expressed (e.g. some surveys), risks missing potential coexistence in the form of simultaneous cognition.

To conclude, it is of importance to consider the complexity in responses to the coexistence of enabling and coercive control, rather than limiting such a discussion to attitudinal responses being either positive or negative (which has been the predominant view among researcher in previous studies). Moreover, positive assessments of the coexistence of enabling and coercive control are strongly associated with global transparency. This further strengthens the claim that global transparency plays a central and significant role for enabling control and positive outcomes in banking.

8.3 Limitations and future research

The research design and methodological departure in this thesis have, of course, influenced the results derived from this study. The empirical investigation in the thesis is based on interview data from two Swedish banks. Branch managers have been the main respondents, and top management in one of the banks have been interviewed for informative purposes about the control system design.

I see two main respects in which the method may have influenced the results in particular ways. First, the choice of interviewees, branch managers, is possibly one such respect. As argued in Chapter Four, the choice of branch managers, and not, for example, bank clerks, as respondents was made from the assumption that individuals in such a position are informed and aware of the control system imposed from both top management and regulative actors in quite a different way from bank clerks. Furthermore, individuals in middle manager position has most likely considerable experience from the industry.

This might have influenced the results, in that individuals on higher level in the organization might consider the industry and institutional domain in a different way than individuals on lower levels. This is because it is in the role of branch manager to more actively work with such questions (e.g. regulations, industry related issues, networks with other banks).

Second, the analysis is, of course, important for the results of the current thesis. The analysis is the craft that carves out the results from the empirical
material. Having the theoretical departure in Adler and Borys’s (1996) enabling and coercive control and a contextual perspective has made it possible to carve out such results as presented here, but, of course, also limits my interpretation of that data from other theoretical perspectives.

There are multiple ways that future research can extend and contribute to our understanding of enabling and coercive control. From this thesis, some specific areas are suggested.

First, the theoretical elaborations presented here are the object for further elaboration and empirical applications. More specifically, the concepts of enabling and coercive control need further clarification. I have here taken some steps in this direction by more explicitly building on the fundamental theory presented by Adler and Borys (1996). However, continued endeavors on this are especially warranted.

For example, coercive control has previously been conceptualized as the lack of enabling features. Potentially, there are more defined ways to explain negative assessments of control, but these need further conceptual elaboration. Moreover, coexistence of enabling and coercive control has been concluded in several instances in previous research, but not been given sufficient attention. Attention to the effects of coexistence on attitudinal outcomes as addressed in this thesis also has potential for further research. Lastly, although this study takes one step in understanding acceptance of control and zone of indifference, this is an area that has potentially more to add to the explanation of attitudinal outcomes of control.

Second, a special focus on one feature presented here, namely global transparency, is particularly asked for. The extended concept of global transparency as presented in this thesis would benefit from further testing both in similar contexts as here, but preferably also in completely different contexts where the contextual and regulatory setting is different.

Third, as the main focus in this study has been on the banking context, as an example of a heavily regulated industry, other contexts with similar characteristics might be of interest and broaden our understanding of how attitudes and perceptions to control is manifested in regulatory and institutional contexts. In addition to other banks, adjacent industries with extensive regulatory impact are possible contexts to explore.
References


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Appendix A

Interview guide 1

- Background (education, years in the company).
- What is your role as branch manager?
  - What is your work tasks?
  - What is your responsibility?
- The branch – history, structure, etc.
- How would you describe the relationship between the branch and head office?
- How would you describe the branch’s relationship to the other branches?

Planning control

- Do you work from some kind of plan? Except the branch business plan?
  - If yes, is it quantitative and/or qualitative?
  - If yes, is it long- or short term?
- In what way do planning helps you in your work?
- Is there situations where you feel that the planning limits you?
  - If yes, are there other things that supplements?
  - Describe the process of developing the branch business plan and the bank business plan.
  - Who is involved?
  - What is the work process?
  - How much freedom is it?

Cybernetic control

- Do you, and if that case how do you use the business plan in your daily work?
  - Does it limit you or does it enables you? Why is that?
- What do you think about the key numbers and targets that head office sets?
- Is it difficult to understand what affects the key numbers’ outcomes?
- Does, and in that case how does, the key numbers affect the daily works at the branch?
- Positive? Negative?
- What do you do if you see that a key number target is not going to be met?
- Do you feel that you understand the measurements and the targets that your branch are evaluated from, by top management?
  - How they are set by head office?
  - What you should do to meet them, what affects the outcomes?
  - Are there possibilities for interpretations of the measurements and the targets?
- Do you get any feedback on the measurements that the branch is evaluated from?
  - If yes, how do you get this feedback?

Rewards and compensations
- Do you think your achievements in your daily work are given attention by top management?
  - Which achievements are given attention?
  - How is it given attention?
- Is rewards used by head office when you or your branch have performed well?
  - If yes, how does these rewards look like?
  - Are you informed of what such rewards are based on and what you can do to get them?
  - If no, what do you think about that? What motivates you?

Administrative control
- Do you have written or expressed routines and procedures that you follow in your daily work?
  - If yes, how great is your possibility to deviate from these or modify them?
- In what situations do you feel that you need to turn to your superior?
  - What do you think about that? Why?
- Can you please give some examples where your discretion is limited?
  - What do you think about these situations? (E.g., why does it limit you, do you perceive it as positive/negative?)
• Can you please give some examples where you have great discretion?
  o What do you think about these situations? (E.g. why do you feel discretion, do you perceived it as positive/negative?)
• How are decision mandates distributed? (Who/when/why?)
• What do you think about the rules and codes of conducts that comes from outside the organization?

Culture control
• Is there expressed values within the bank?
  o Do you work from the same at the branch?
• Are there forums where values can be discussed/developed?
• Does, and if so how does, the values have any meaning and influence on you daily work?

Information
• How do you get information about your branch’s performance?
  o Can you choose which information you get?
• How do you use the information in your daily work?

Formalization
• How important do you think rules and routines are for your business?
• To what extent do you have possibility to make changes in your work processes?

From your perspective as branch manager:
• Which are the strengths/weaknesses in the way you work at the branch and at bank level? Are there things that you feel are missing/not being paid attention to? If so, do you have your own way of handle these?
• Do you think there are areas for improvements?
Appendix B

Interview guide 2

- What are your greatest challenges forwards?
- What problems can you meet in your work?
  - How do you handle these?
- As branch manager you are both manager of the branch, but you also meet customers. Do you feel that there is a difference in what is needed from you in these two roles?
- What is the most important thing you need from top management in order to run the branch? In meeting customers?
- When do you feel that you have limited discretion and when do you feel that you have extensive discretion?
- If you, on the one hand, have rules and regulations affecting your work, and, on the other hand, have great discretion, what guides your actions in the latter cases? In what way does it differ from regulations?
- In all this regulation that you must handle, what is it that makes you reconcile with it?
- Have your possibilities to work in flexible way changed over the last couple of years?
  - If yes, has it been harder, or easier, to make deals with customers?
  - Does it affect the way you work with the business plans or how top management are working?
- Can you tell me about what your thoughts are when developing the branch’s business plan?
- How much focus is on what happens internal to the bank and how much focus in on external events (e.g. regulations, markets, etc.)
- The key numbers, do you feel that they are helping you in your work, or can they feel oppressive? Why?
- What happens if the branch does not meet the set targets? (K/I-number, contributions margins etc.)?
- When do you see if the targets are not met?
- When you and top management discuss the branch’s outcomes, does this helps you in understanding the key targets? Or the bank as one unit?
• When you and top management meet and discuss the branch’s results, how does the discussion looks like?
  o Does this helps you in any way?
• When do you seek information about the branch (e.g. complementing key numbers) beyond what is in the business plans? Why do you do that?
• If you don’t understand a key number or the outcome in some measurements, is it what affects the outcome, or is it the construction of the measurement that you need more information about?
  o What do you do in order to understand?
• In what way do understanding the rationale behind regulations or the key numbers helps you in your daily work?
• Do you seek information outside the bank? In which situations can that be necessary?
• What would you say is positive and negative with working in the way you do?
• What do you think about the fact that your business is very regulated in some parts of your work, but top management have chosen to leave considerable parts up to you at the branch, for example the branch business plan?
• When a new regulation is imposed, or a rule that you must implement, what happens, what do you do?
• Does it affect other parts of the business?
• Are there situations where you feel that the objectives of the branch is in conflict with the regulations and rules that comes from the government?
• If yes, how do you handle these situations?
• Do you feel that your possibilities to adapt the way you work with a customers have increased or decrease, or neither?
• When you meet a customer and you need to ask questions and fill out forms that the government have imposed, what are the reactions from the customer?
  o How do you handle this? What do you say, what do you think?
• What is ‘good’ control, in your mind?
• What is ‘bad’ control in your mind?
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