

The Strategy and Management Control Systems relationship as emerging dynamic process

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Abstract In this paper we discuss the Management Control Systems (MCSs)–strategy relationship in the light of an empirical analysis. We debate the attention to the fit of MCS and strategy at given moments in time which is typical of a contingency approach, and we search for an understanding of the dynamic evolution of the company over a continuous span of time. We deploy a diachronic analysis which involves a vertical and a horizontal conception of dynamics. We show that instantaneous fit between formal MCS and deliberate strategy is not helpful in illustrating evolution, nor is able to explain success. Conversely, the fit is to be played continuously on MCS and strategies at the level of practices. We also show the role of misfit between MCS and strategy: ambiguity implies the definition of blurred constraints for action which is freed. In this sense, we conclude that in the design of the MCS or strategy, attention does not have to be focused on the reciprocal fit, but rather on the ability of both (MCS and strategy) to support the exploration of new directions of evolution. Our case offers the intuition that identities, beyond practices, account for success in this case, as they embed both practices but also a way of being that, as a set of basic principles, directs behaviour when practices are missing, i.e., in the face of the new.

Keywords Management Control System · Strategy · Evolution · Practices · Practice-based perspective · Identity · Novelty

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1 Introduction

In this paper we investigate the dynamic evolution of the Management Control Systems (MCSs)–strategy relationship in the light of an empirical analysis. The relationship between MCSs and strategy has been at the centre of managerial discourse, reflecting the diverse conceptions of MCS and strategy that have emerged over time. The result is a multiplicity rather than a successive accumulation or alternation of conceptions. Despite this rich panorama, contributions within the mainstream contingency approach build a contradictory picture of “inconsistent findings” on the relationship (Cadez and Guilding 2008, p. 841); similarly, studies grounded in diverse perspectives can hardly solve fragmentation and non-cumulativity of explanations. This can be ascribed both to difficulties in comparing results within the same paradigm, due to differing definitions and operationalization of the concepts of strategy (Cinquini and Tenucci 2010; Chenhall 2005), MCSs (Cinquini and Tenucci 2010; Langfield-Smith 2006), and the method used to model the MCS–strategy–performance relationship (Langfield-Smith 2007), as well as to the lack of dialogue between different paradigms claiming incommensurability, which some authors would, to some extent, overcome through a wise “straddling” between them (Kakkuri-Knuuttila et al. 2008a, b; Modell 2010; Lukka 2010; Vaivio and Sirén 2010).

Contributions can be grouped into the contingency stream¹ and the so-called alternative stream, which builds a residual and highly variegated category that is far from creating a homogeneous body of literature (Gerdin and Greve 2004; Langfield-Smith 2006; Chua 2007; Baxter and Chua 2003).

At the origins of the contingency view, there is a subordinated relationship between strategy and MCS that reflects the traditional subordination of strategy implementation to strategy formulation (e.g., Naranjo-Gil and Hartmann 2006). As such, strategy is mainly conceived as a long-term rational plan intended to create value and MCS as an outcome of the firm’s strategy (Kober et al. 2007). Along these lines, strategy “is a black box that is not opened” (Chua 2007, p. 488), as is MCS, while the focus is directed on the equilibrium between boxes, i.e., the fit between strategy and MCS (see Chenhall 2003 for a review; 2007 for a review; Skærbæk and Tryggestad 2010; Jokipii 2010).

A different set of studies, labelled “alternative” (Langfield-Smith 2006; Baxter and Chua 2003) in relation to the mainstream normal science, share the consideration that the relationship between MCSs and strategy is more complex than the “alignment” (Ittner et al. 2003) proposed by the contingency approach. Trying to correct the simplifications of functionalist studies (Ahrens and Chapman 2007, p. 2), they aim at opening the strategy and MCS boxes building on the belief that both strategy and MCS deploy as “situated craft[s]” (Chua 2007, p. 487), and at understanding the complexity (Scapens 2006) rather than untying the strong intertwining of the two at the action level. Sharing “an overarching commitment

¹ North American A-level journals in accounting, which are considered to set “the” discourse in the discipline, display a narrow focus on the contingency approach and lack diversity of article topics and research methods (Merchant 2010; Scapens and Bromwich 2010).

to non-positivism” (Baxter and Chua 2003, p. 102), they typically investigate phenomena in their everyday natural settings, assuming a micro level of analysis to restore a rich view of the complex dynamics and multifarious interactions between MCS and strategy over time (Langfield-Smith 2006). As such, alternative approaches remove the “artificial dichotomy” (Simons 1990) that separates strategy formulation and implementation as well as the almost exclusive entrusting of strategy formulation to the vertex of the organisation and of strategy implementation to middle managers and line. The formulation of a practice theory approach to management accounting (Ahrens and Chapman 2007) is inserted into this perspective, while it draws into the field a deeper attention to practices as rules, practical understanding of the task, teleoaffective structures displayed by emotional and mental orientation of action, and general understanding of the context (Schatzki 2002, 2005). As Ahrens and Chapman (2007) state, referring to Lave (1988): “means and ends are constructed simultaneously in practice” (p. 23) pertaining both to COs and to other workers, and *act-ing* implies weaving several areas of intervention which were traditionally logically and disciplinary separated e.g., engaging in both *account-ing* and *strategiz-ing*.²

The contingency tradition is typically a static perspective (Jørgensen and Messner 2010; Langfield-Smith 2007), as cross-sectional studies confront synchronic elements of structure and contingency. Alternative studies have introduced the idea of the dynamic relationship between accounting and strategy over time (Jørgensen and Messner 2010; Langfield-Smith 1997). At various levels of depth, they have expanded the time frame of observation to enrich the picture with process elements of structure and contingencies. Nevertheless, the attention to the micro perspective has often provided explanations that are time-specific and not longitudinal or diachronic (Modell 2010). This has resulted in a dynamic that is developed horizontally as an in-depth view into the interaction between elements that still lacks a vertical articulation as a representation of the evolution of the interaction over time. As a result, there is still a need to understand dynamism (Jørgensen and Messner 2010; Chapman 2005; Chua 2007) both vertically and horizontally.

This paper aims at contributing to fill this gap by offering a diachronic analysis which involves a vertical and a horizontal conception of dynamics. Our empirical observation invites us both to rethink the meaning of fit in the contingency tradition, as well as to expand the representation of practice that has been offered in alternative MCS studies. We ask if instantaneous fit between formal MCS and deliberate strategy is helpful to understand evolution, or to explain success. An evolutionary perspective also allows to trace the paths of adaptation between strategy and MCS misalignments that are neglected by a contingent static and instantaneous view. As level of analysis, we choose to address practices to understand the dynamics of MCS and strategy, and more broadly to discuss both the meaning and role of fit and of misfit in evolution. This analysis allows to derive a new and practical suggestion on MCS and strategy design.

² By emphasising the -ing form, we stress the transformation of nouns into verbs originally proposed by Weick (1969), which has become typical of the “the practice turn” (Whittington 2003, p. 118) to underline the ongoing nature of things.

The paper is based on an in-depth case study of the history of a primary player in the Italian Information Technology (IT) distribution market, which we call Alpha. We analyse the company's strategy and MCS, from the foundation of the company to 2009, and we investigate their evolution in that context, adopting a practice theory perspective (Ahrens and Chapman 2007, 2005; Jørgensen and Messner 2010).

This paper is divided into five sections, as follows. In the next Sect. 2.1, we briefly discuss the concept of 'fit' as used in contingency approaches to show its limits when analysing a dynamic MCS-strategy relationship, and we position our paper within this discourse (Sect. 2.1). Given the dynamic nature of the phenomena, we adopt the analytical framework described in Sect. 2.2 to observe MCS and strategy evolution. In Sect. 3, we describe the method and data collected for the empirical analysis. In Sect. 4, we develop the case study, and in Sect. 5, we provide a discussion of the MCS-strategy evolution.

2 Literature review

2.1 Dynamics in MCS-strategy relationship

The concept of fit is central to contingency theory: "the essence of contingency theory is that organizations must adapt their structure to contingencies such as the environment, organizational size, and business strategy if the organization is to perform well" (Gerdin and Greve 2008, p. 996). Still, offering a definition of 'fit' in contingency literature with respect to accounting control is quite problematic because many forms of fit have been adopted (Gerdin and Greve 2004), and many statistical techniques have been used to operationalize and measure the concept (Gerdin and Greve 2008).

Gerdin and Greve (2004) provide a classificatory framework for the various forms of fit used in ten contingency studies in the accounting control area. They identify two conflicting paradigms in the conceptualisation of the contingency fit. The first paradigm is the Cartesian approach, in which "fit between context and structure is a continuum that allows frequent, small movements by organizations from one state of fit to another" (p. 304). The second paradigm is a Configuration approach, in which only a few states of fit between context and structure are allowed, with "organizations having to make 'quantum jumps' from one state to another" (p. 304). The two paradigms differ also in the underlying hypothesis on the relations between contextual and structure variables and in the number of variables considered in these relations (Gerdin and Greve 2004; see also Meyer et al. 1993). Within each paradigm, building on the work of Drazin and Van de Ven (1985), they identify a second-level division between Congruence and Contingency approaches to fit. Congruence approaches assume that only "the best-performing organizations survive and therefore can be observed" (Gerdin and Greve 2004, p. 305); this "survival of the fittest" (Chenhall 2003) condition implies that only the relation between context and structure is relevant, given that performance is assumed to be maximised. Contingency approaches conversely assume that "organizations may

have varying degree of fit” (Gerdin and Greve 2004, p. 305), and thus also the relation between the degree of fit and performance has to be investigated.

Regardless of how the concept of fit is defined or specified by the different paradigms and approaches, the notion of fit is based on the idea that structure must adapt to contingencies. In Cartesian approaches, structure continuously adapts to context, adaptation involves small changes in a continuous process, and there are many points of fit (Gerdin and Greve 2004). In Configuration approaches, small changes in structure are avoided, only quantum jumps between a limited set of points of fit are possible, and change is episodic and occurs in rapid transformation from one relatively stable state of fit to another relatively stable state of fit (Meyer et al. 1993).

In contingency approaches, strategy is an element of the context, externally determined and imposed on the firm, and strategy making is an episodic process (Chapman 2005). However, strategy is not simply an element of the context because managers have ‘strategic choice’ (Chenhall 2003; Donaldson 1996).

Quantitative studies are often restricted to identifying MCSs that are appropriate for different strategic archetypes (Chenhall 2003). In general, contingency studies have mainly focused on comparing different organisations, testing fit using cross-sectional data collected through surveys at one point in time; “from these data inference were made that causation flowed in particular ways that is from contingency to structure” (Donaldson 1996, p. 63). Regardless of the definition of strategy employed and how it has been operationalized, quantitative studies fail to recognise that strategy can be an ongoing developmental process (Langfield-Smith 2007). Strategy and, in particular, strategy making is a continuous process, and strategic capabilities are grounded in day-to-day organisational action: “[t]he emphasis on the daily routine of strategy-making is suggestive of a very different role for MCS than the previously predominant model of straightforward implementation of strategy” (Chapman 2005, p. 4).

MCSs and strategy deploy over time and build a mutual interplay, in which the definition of the MCS-strategy dichotomy as well as the identification of a temporal and causal sequence between them are artificial and heavily narrow our understanding of the phenomenon. In this dynamic view, the idea of ‘fit’ between strategy and MCS is misleading because “the matching of strategy and MCS design may no longer be the driver of competitiveness and organizational performance” (Langfield-Smith 2007). While the contingency approach focuses on the fit at each point in time between MCS and strategy, the alternative stream of research (Baxter and Chua 2003) presents an opportunity for a more integrated view of MCSs and strategy, recognising the complexity of the MCS-strategy relationship. Still, the dynamic of the interaction needs to be investigated in greater detail to understand its evolution over time.

2.2 Analytical frameworks: MCS as a package and strategy evolution

To analyse MCSs, we adopt the “MCSs as package” analytical framework proposed by Malmi and Brown (2008). This choice is motivated by the fact that a universally accepted definition of a MCS is lacking in the literature. According to Chenhall

(2003), earlier definitions were focused on formal and financially quantifiable information. More recent definitions include a broader range of information (e.g., information on customers and competitors), a broad array of decision-support mechanisms, and informal, personal and social controls. All of these attempts to define and restrict the aims and content of MCSs are unsatisfactory for our purpose because of the ambiguity in the meaning of MCSs. As clearly stated by Langfield-Smith (2006): an “MCS may encompass a range of formal and informal controls, including performance measurement systems, employee and managerial incentive systems, budgeting systems, procedures and policies, physical control over assets, personnel controls, and cultural and social controls” (p. 243).

The “MCSs as package” conceptual framework (Malmi and Brown 2008) broadly defines MCS as a complete system of rules, practices, values, and other activities management put in place to direct employee behaviour. Management controls include “all the devices and systems managers use to ensure that the behaviours and decisions of their employees are consistent with the organization’s objectives and strategies, but exclude pure decision support systems” (p. 290). When management controls are designed and coordinated intentionally, they constitute an MCS; however, “different systems are often introduced by different interest groups at different times, so the controls in their entirety should not be defined holistically as a single system, but instead as a package of systems” (p. 291).

Through a critical analysis of nearly four decades of MCSs research, Malmi and Brown (2008) provide a conceptual typology of a MCSs package, identifying five types of controls: planning, cybernetic, reward and compensation, administrative and cultural controls. As suggested by the authors, “this analytical conception of MCS as a package provides a sufficiently broad, yet parsimonious, approach for studying the phenomenon empirically” (p. 291).

With planning controls, organisations set out goals and actions, provide standards to be achieved and define expected levels of effort and behaviour. Planning may have a tactical focus (action planning), suggesting goals and actions for the immediate future (less than 12 months), or it may have a more strategic focus (long-range planning), suggesting goals and actions for the long run.

Using cybernetic controls, organisations measure a system’s performance, compare that performance to standards, signal unwanted variances in the system and eventually modify system behaviour (feedback loop). Malmi and Brown (2008) identify four basic cybernetic systems: budgets, financial measures, non-financial measures and hybrid systems (including both financial and non-financial measures).

With rewards and compensation, organisations motivate individuals and groups; effort direction, duration and intensity are controlled by attaching rewards to the achievement of goals.

With administrative controls, organisations direct individual behaviour through organisational design and structure, governance structures (accountability) and procedures and policies (how tasks are to be performed or not performed). A management information system (MIS)³ is considered an administrative control

³ A management information system is “a centralized, and usually computerized, INFORMATION SYSTEM for use by the MANAGERS of an ORGANIZATION in making decisions” (Statt 2004).

when, through the system, employees are forced to follow precise procedures. In contrast, an MIS is to be considered a cybernetic control when its role is to collect and report data and variances to managers. Using cultural controls, organisations influence employee behaviour through established values, beliefs and social norms.

Table 1 briefly defines the five elements of the MCS-package framework (i.e., planning, cybernetic controls, reward/compensation, administrative controls and culture) and lists basic components of each element. In our analysis, we identify which of these components characterise Alpha's MCS package.

To analyse Alpha's strategy and to identify stages in strategy evolution, we adopt Sigglekow's (2002) framework, which allows for compact representation of the evolution of an organisation's core elements. An element is defined as a core element when it has "a high interdependency with other current organizational elements" and "a large influence on future organizational elements" (p. 127). Clearly, the number of core elements may change over time, and each core element is supported and reinforced by a set of other (non-core) elements, called elaborating elements. Sigglekow identifies interaction and reinforcement as follows: "Two elements are said to interact if the value of one element depends on the presence of the other element", whereas "two elements are said to reinforce each other if the value of each element is increased by presence of the other element" (p. 127). The concepts of interaction and reinforcement are employed to define independent elements (which do not interact with each other) and inconsistent elements, which have a negative interaction among them (the value of each of them is decreased by the presence of the other one). At any point in time, any organisation may be described as a system of various types of elements (core elements, elaborating elements, independent elements and inconsistent elements) and the interactions among them.

Sigglekow's (2002) framework defines five types of observable development processes for core elements: patching, thickening, coasting, trimming and thinning. Patching is the process of adopting a new core element and its subsequent reinforcement (p. 140). Thickening is the process of reinforcing an existing core element through subsequent elaborating elements that increase the network of interactions involving the core element (p. 145). Coasting defines a situation in which the network of interactions among the core element and related elaborating elements does not change over a given period of time (p. 145). Trimming consists of the deletion of an existing core element and most of its associated elaborating elements (p. 150). Finally, thinning is defined as the counterpart to thickening (i.e., a gradual process of decentralisation of a core element by abandoning related elaborating elements).

Under this analytical framework, the evolution of organisational core elements may be analysed through changes in the set of core elements and through changes in the developmental process associated with each core element. In Sigglekow's words, "the addition, deletion, and replacement of core elements" identify "natural periods within a firm's organizational history" (p. 151).

Table 1 Description of MCS package

Elements	Description	Components
Planning	Ex-ante form of control (Flamholtz et al. 1985); first it sets out the goals of the functional areas of the organisation thereby directing effort and behaviour; second, it provides the standards to be achieved in relation to the goal, making clear the level of effort and behaviour expected; third, it enables congruence by aligning goals across the functional areas of an organisation, thereby controlling the activities of groups and individuals.	Action planning—goals and actions for the immediate future, usually a 12-month period, are established; has a tactical focus. Long-range planning—the goals and Actions for the medium and long run are established; has a more strategic focus
Cybernetic	There are five characteristics of cybernetic control (Green and Welsh 1988). First, there are measures that enable quantification of an underlying phenomenon, activity or system. Second, there are standards of performance or targets to be met. Third, there is a feedback process that enables comparison of the outcome of the activities with the standard. This variance analysis arising from the feedback is the fourth aspect of cybernetic control systems. Fifth is the ability to modify the system's behaviour or underlying activities.	Budgets (Bunce et al. 1995; Hansen et al. 2003), Financial measures (Ittner and Larcker 1998), Non-financial measures (Ittner and Larcker 1998), Hybrids that contain both financial and non-financial measures such as the Balanced Scorecard (BSC) (Greenwood 1981; Kondrasuk 1981; Ittner and Larcker 1998; Kaplan and Norton 1992, 1996a, b, 2001a, b; Malina and Selto 2001)
Reward/ compensation	Motivating and increasing the performance of individuals and groups through attaching rewards to control effort direction, effort duration, and effort intensity.	Attaching rewards and or compensation to achievement of goals (Flamholtz et al. 1985; Bonner and Sprinkle 2002)
Administrative	Administrative control systems are those that direct employee behaviour through the organizing of individuals (organisation design and structure), the monitoring of behaviour and who employees are made accountable to for their behaviour (governance); and through the process of specifying how tasks or behaviours are to be performed or not performed (policies and procedures) (Simons 1987).	Organisational design and structure (Otley and Berry 1980; Emmanuel et al. 1990; Abernethy and Chua 1996; Alvesson and Karreman 2004), Governance structures within the firm (Abernethy and Chua 1996), Procedures and policies (Macintosh and Daft 1987; Simons 1987)
Culture	The values, beliefs and social norms which are established influence employees behaviour (Birnberg and Snodgrass 1988; Dent 1991; Pratt and Beaulieu 1992).	Value-based controls (Simons 1995), Clan controls (Ouchi 1979), Symbols (Schein 1997)

Source: Malmi and Brown (2008)

3 Research strategy

Since our research objective is explorative in nature, we adopt a case-study approach as a coherent research method that favours an “intimate connection with empirical reality” (Eisenhardt 1989, p. 532), allowing the extension of theory (Eisenhardt 1989; Yin 1994; Siggelkow 2007). Moreover, to investigate the multifaceted components of MCSs in the adopted “package conception”, a deep-probing research method has been encouraged (e.g., Perren and Grant 2000; Greenhalgh 2000; Collier 2005; Sandelin 2008). To map the evolution of MCS and strategy, we chose an in-depth case-study design, as suggested in Eisenhardt (1989) and Siggelkow (2002). We use both primary and secondary source data, collected at the various levels of the organisational structure, such as archival records, interviews and direct observations of activities, data entry and control procedures in the MCS. Table 2 details our data collection.

The research was carried out in three stages. During the first stage (September–October 2008), we primarily analysed company documents covering a 13-year period (1995–2008), such as press reviews, presentations for external communication, financial statements and official records on ownership structure and governance, which can help develop the chronological evolution of Alpha’s strategy from its foundation to 2008. The second stage (November 2008–June 2009) involved a series of in-depth interviews with members of the Alpha management team. These interviews were meant to provide a thorough understanding of the head office perspective on strategy. To reduce ex-post rationalisation and hindsight biases (Fischhoff 1975; Harrison and March 1984; Goitein 1984), which are typical of any account of one’s own life and experiences, we asked our interviewees to outline the evolution of Alpha, which we paired with press releases, interviews and official reports handed out over time (for a similar methodological use of archival documents, see Siggelkow 2002). Moreover, we asked about the company’s business strategy and perceived critical points in the decision-making process. During the third stage (July–October 2009), we engaged in a set of observations, at various levels, of the use of the “MCS technologies” in the process of directing and controlling the strategic process (at both the development and deployment stages). We paired this to interviews with the head office (top management level) and shop managers (operational level). This enabled us to analyse the role of the MCS in more depth and to discuss our understanding of it.

The three stages, despite being chronologically ordered, provided a dataset ripe for “triangulation” (Yin 1994), the process of which has been iterative in nature, requiring numerous “dips into the field” (Charmaz 2000, p. 519).

For our single-case study, we selected Alpha,⁴ a primary player in Italian IT. Its core business includes the production and distribution of customised desktop computers, the distribution of electronic equipment (both components and final

⁴ Alpha carries out its activities through four companies fully and directly controlled by Alpha. All companies share the same headquarters and board of directors. For this reason, we do not distinguish between Alpha and its subsidiaries and always refer to them as Alpha.

Table 2 Information on fieldwork activity

<i>Archival documents</i>	
Press review	2000–2009
Documents for external communication	2009
Separate financial statements of the companies of the group	1996–2008
Consolidated financial statements	2002–2008
Notes to financial statements	1996–2008
Annual report on operations	2000–2008
Official records on ownership structure and governance	1995–2009
<i>Interviews (functional breakdown)</i>	
Head office—president and CEO	1*
Head office—management control director	3 ^a
Shop managers of owned distribution chains	2 ^a
Shop managers of franchise shops	2 ^a
Shop managers of light franchise shops	2 ^a
<i>Observations</i>	
Observation of selling activities at shops	6
Observation of data entry at shops	6
Observation of queries and reports production at head office	2
Direct shopping at franchise shops as “control”	4

* 2.5 hours

^a 2 hours each

products) and a wide range of web-based services and solutions (internet connectivity, e-learning, web hosting, web housing, and networking). As of December 2007, a total of 78 shops, both company-owned (CO) shops and franchises, were part of the Alpha distribution network and shared a common brand. The staff at headquarters includes approximately 100 people in different roles, whereas the sales personnel in CO shops include approximately 20 people.⁵ On average, human resources are young and loyal to the company: the mean age is 37, and turnover is near zero. Sales in 2008 reached about € 61 million (figures from fiscal year 2009 were not available at the time of the study).

Italian IT market is highly competitive, with many big Italian and European players competing via various channels (internet, directly owned distribution networks, and franchise). Alpha's nationwide distribution network includes all these channels. Alpha's activities are not only focused on the provision of a wide range of hardware but also on services; still, its organisational structure is quite lean, and we were able to observe strategic action and the MCS at both the headquarters and distribution network levels.

In our view, Alpha has a complex combination of strategic activities and MCSs that is worth studying over time for several reasons. First, Alpha dates back to 1991,

⁵ All of them are directly employed by Alpha.

providing about 20 years of data. Second, most of the key players in the development of the firm, including the entrepreneur and founder (referred to here as Mr. Alpha) are still working at the company and were available for interview. Third, the company had attracted some attention in the press over time (including local and national newspapers), and consequently, a large set of secondary data were available.

4 Strategy and MCS emergent dynamics

4.1 Case overview

To apply Sigglekow’s (2002) analytical framework to the analysis of strategy dynamics, we focus the model on Alpha’s realised strategy development. A realised strategy is defined as “a pattern in a stream of decisions” (Mintzberg 1978), and therefore, the patterns we identify in Alpha’s history constitute core elements of the model. Developmental processes (patching, thickening, coasting, trimming and thinning) applied to these strategic core elements describe Alpha’s effort to either introduce new patterns or to foster, maintain or abandon existing ones.

The six core elements we identify in Alpha’s realised strategy and their developmental processes during Alpha’s history are shown in Fig. 1. Two of these core elements were detected at the beginning of Alpha’s history, and they are still present today. As previously noted, identified changes in the set of core elements permit the specification of “natural periods” (or stages) within the ongoing process of strategy development. Accordingly, four stages in Alpha’s history were identified.

In addition to realised strategy dynamics, we also examine MCS dynamics. In Table 3, for each stage in Alpha’s history, the main components of the MCS

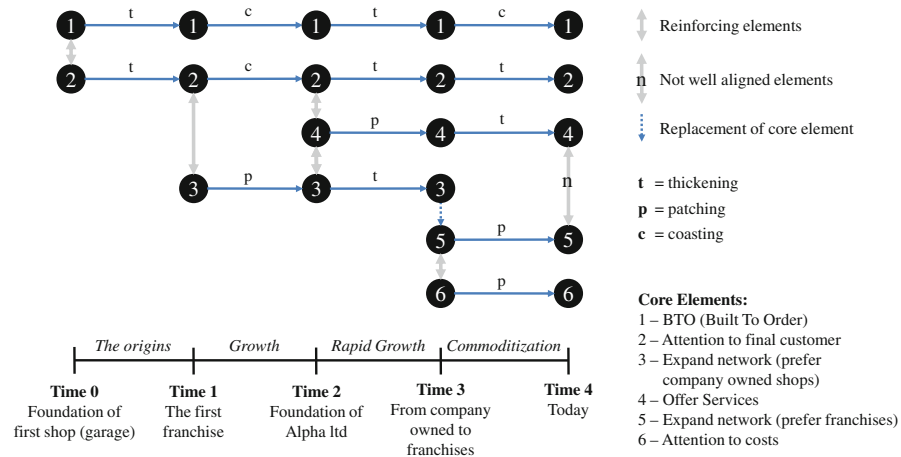


Fig. 1 The evolution of Alpha’s realised strategy

package are summarised. Each line of the table shows the evolution of one type of control along the four stages; at each stage, elements of novelty are highlighted.

4.2 Stage 1: the origins

The origin of Alpha dates back to the early 1990s, when Mr. Alpha (today its president and CEO), was working as an independent IT consultant. In 1991, there were few IT consultants in Italy, and many firms were eager to buy their services. Taking advantage of this favourable situation, many new IT consultants rapidly entered the market, but demand did not grow correspondingly, creating a supply surplus in the market. In 1993, leveraging his connections with hardware producers developed while he worked as a consultant, Mr. Alpha decided to “take a chance” as an entrepreneur and set up his own business as a customised hardware supplier.

His business idea was both simple and powerful: computers were built at the customer’s request (Built To Order, BTO) and quickly delivered in a few days. The rationale was to minimise inventories to reduce capital investment in hardware components. As stated by Mr. Alpha, “We were forced to a BTO-production since I did not have much money to buy hardware components”.⁶

The market appreciated the idea of customised computers, and sales grew rapidly. After a few months, Mr. Alpha was able to move his business from the 17-square-meter garage to a proper 200-square-meter shop: “We were working 15 h per day, during the day we were selling computers, during the night we were assembling them”.

4.3 Stage 2: growth

In 1994, two loyal customers of Mr. Alpha’s shop resigned from the company for which they were both working. Impressed by the success of Mr. Alpha’s business, they asked him to open a similar shop in a nearby town. They invested their severance pay in the business venture and became Alpha’s first franchisees. Mr. Alpha remembers them as “the kind of IT addicts that nowadays are almost extinct; they were really fond of computers and loved fiddling with them”. Similarly, another loyal and IT-addicted customer asked to open a franchise in another city.

After the first franchise was opened, Mr. Alpha needed a way to manage orders coming from a different shop. Mr. Alpha himself is basically a “computer-holic”, and thus he realised a web-based business-to-business system to automatically record orders from franchises while he was working in his shop. He says about computer programming: “It is my next job and I will enjoy it greatly!” This was the first version of Alpha’s management information system (MIS v. 1.0), and it was developed in-house by Mr. Alpha. “In the nineties, very few professional software-based information systems were available in the market, and no one was both efficient and affordable for us; many small software-houses were producing unreliable software, so we decided to produce it in-house”. Using the in-house-developed software application, franchisees were able to design a personal computer

⁶ Interview with the CEO (26 June 2009).

Table 3 Evolution of the MCS-package in Alpha

Elements of Alpha's MCS package	Stages of Alpha's evolution		
	The origins	Growth	Rapid Growth
Cultural controls	-	Values: "Passion for IT"	Values: "The big family" Clan: HR training (joint for franchisees and employees), socialisation (annual meeting, forum)
Planning	Action: "Keep inventory low"	Action: [...] + "Let the sales go"	Action: [...] + "open and set a queue" Long-range: "Build a nationwide network" + "Prefer CO shops" + "counselling and services"
Cybernetic controls	-	Non-financial measures: MIS (v. 1.0)	Budget, Non-financial and financial measures: buy an ERP? (failed), introduced MIS (v 2.0)
Reward and compensation	-	-	Reward and compensation to achievement of goals
Administrative controls	-	Policy: recruitment (friends + IT-addicted customers)	Policy: recruitment (technical competence + opportunity)
		Procedures (orders only):	Procedures: ERP (failed); introduced MIS (v 2.0)
		MIS (v 1.0)	Procedures: ERP (failed); introduced MIS (v 2.1)
		Design: FR and CO shops as customers	Design: distribution network + web site shops + network manager for franchises
			Governance: CEO of CO shops + network manager for franchises
			Governance: network manager for both CO shops and franchises

[...] = the same as in previous period, - = not present
FR franchise, CO company owned

according to a customer's specification and send the order to Alpha (the application become web-based as soon as the first franchise joined Alpha). The computer was assembled and delivered to the franchise within a few days.

In 1995, immediately after the first franchise was opened, one of Alpha's competitors decided to open a new shop in a town located 100 km from Alpha headquarters. After visiting this new shop, Mr. Alpha decided to follow his competitor, opening a new company-owned (CO) shop in the same town and hiring local staff to manage it. Thanks to his web-based information system, Mr. Alpha was able to track the new shop's activity without having to be physically present every day. He simply added this shop as a franchise in the MIS.

4.4 Stage 3: rapid growth

From 1995 to 2005, as shown in table 4, the distribution network grew rapidly. New stores could be either company-owned or franchises; the choice between the two was based on contingent factors. "If we found the right person [either employee or entrepreneur], we could open the shop because our business model was working

Table 4 Number of Alpha's shops (CO and franchises) per year and sales

Year	CO shops ^a	FR shops	Shops	Sales ^b in €
1995	0	1 ^c	1	3,552
1996	0	2 ^c	2	10,032
1997	NA	NA	13	12,610
1998	4	17	21	17,811
1999	9 ^d	27 ^d	38	33,711
2000	11 ^e	41 ^e	52	61,015
2001	12	54	66	77,425
2002	11	63	74	76,140
2003	12	68	80	81,789
2004	14	78	92	73,678
2005	14	82	96	71,721
2006	13	78	91	75,075
2007	10	68	78	71,378
2008	NA	NA	81	60,882

CO company owned, FR franchise, NA not available

^a It is possible to know the number of company-owned shops from Alpha's balance sheets

^b Sales of Alpha to shops valued at wholesale/reseller price in € (1,000 = 1 million)

^c From the interview with Alpha's owner and CEO, we know that, immediately after the company's foundation in 1995, a new company-owned shop and two franchise shops were opened. However, in 1995, CO shops were owned by the CEO and not by the company. As of 1997, all CO shops belong to Alpha

^d From Alpha's 1999 report on operations, we know that five new CO shops were opened in 1999

^e From Alpha's 2000 report on operations, we know that two new CO shops were opened in 2000

Table 5 Sales, customers and number of tailored personal computers produced

Year	Customers	PC BTO	Sales All channels	Sales CO shops	Sales CO/All (%)
1995			3,552		
1996			10,032		
1997			12,610		
1998			17,811		
1999			33,711	0.492	0.001
2000		20,000	61,015	10,230	16.77
2001	202,000	35,000	77,425	14,845	19.17
2002	275,000	35,000	76,140	13,234	17.38
2003	350,000	35,000	81,789	13,904	17.00
2004	350,000	30,000	73,678	13,090	17.77
2005	400,000	30,000	71,721	13,080	18.24
2006	400,000	30,000	75,075	11,689	15.57
2007			71,378	8,655	12.13
2008			60,882	5,778	9.49

Sales are in millions Euro

CO company owned, PC BTO personal computer built to order

well". The "right person", in his mind, had a genuine passion for technology and technological innovation and was able to handle basic bookkeeping.

In fact, the choice between franchise and CO shops was driven by opportunism and not by a deliberate preference. On the one hand, Alpha's preference was for CO shops. On the other hand, it was not easy to find employees with the required technical knowledge at the pace required by such fast-growing market. Therefore, the choice between CO shops and franchises was based on the availability and entrepreneurial attitude of the selected people. The success of the shop was taken for granted; it was sufficient to open a new shop and have a queue of customers at the counter. As an opportunity to quickly recruit franchisees, Alpha decided to join the governmental program supporting entrepreneurial activities of unemployed people, which provided them with free grants up to 50,000 Euros. This proved to be an important incentive that boosted Alpha's distribution network rapid growth.

With growing sales and networks (see Table 5), Mr. Alpha tried to stop in-house development of the MIS. "In-house development was time-consuming for me [...], we had so many things to manage, so we tried a different ERP software, which however, we didn't like. There were so many problems in adapting the software to our needs that we had to adapt to the software, so we decided to go back to in-house development".

In 1996, after a 6-month analysis, a new database was created, and a new in-house MIS (v 2.0) was developed. Since then, although the technical base had evolved,⁷ the basic design of the MIS had not changed. Because the MIS was

⁷ For example, whereas each shop had been required to download the updated product database each day, starting in 2001, the data were entirely online.

developed in-house, it was continuously maintained and adapted to Alpha's needs. Although Mr. Alpha still works on the information system and personally writes "some pieces of code", the dedicated "Information System Development" office is in charge of software maintenance.

Through the MIS, Alpha forced all shops to follow all management procedures as defined by the headquarters. The MIS managed any activity related to products (such as orders, shipment, billing, availability in each shop, and technical support for customised computers). Thanks to this system, Alpha was able to collect a huge amount of data on customers and sales volumes as well as hardware and services, for each shop in the network (regardless of whether they were CO or a franchise). Billing was made via the MIS, and therefore, data on profit margins for each shop were available to both headquarters and shops. A managing director was hired to support all CO stores in their everyday activities and to "build a bridge"⁸ between Alpha and the network of CO stores (14 stores in 2004). He was in charge of monitoring and supporting staff activities in all CO stores. He also introduced a compensation system based on stores' sales performances with the purpose of motivating CO-store employees to improve sales volumes of hardware and services.

Nationwide advertising for the entire network was managed by Alpha's head office; local advertising was also directed by Alpha in agreement with local stores. Franchises benefited from these marketing schemes, but they had to accept all nationwide promotions decided by Alpha's headquarters (e.g., special discounts on some products or for students). They paid a franchise fee for using Alpha's brand and were committed to buying 80% of their hardware sales from Alpha.

Sales in stores were also supported by the company website. Prospective clients could see a product's details, technical characteristics and prices, and they could project their customised PC and perhaps place orders. Each shop directly received the order as if the customers were in the shop. Home delivery was not the preferred option, and the website was, for customers, only an alternative to buying in a physical "real" shop (customers wanted to go to pick up their computer, to interact with people in the shop, to get to know the people to whom they had to refer in case they needed technical support).

Despite this attempt to formalise relationships among members, mainly by making the MIS the mediator among them, a more lively communication channel with the distribution network (including both CO shops and franchises) was maintained, which, given the large size of the network, was transformed into an e-mail-based discussion forum. Shops could directly communicate with each other and with headquarters. The president and CEO personally read and posted messages on the forum. Issues discussed on the forum ranged from technical support to advertising policy at national and local levels. Despite the increasing role of the MIS, Mr. Alpha intended to maintain "a big family of IT experts". Moreover, to build the community, an annual meeting with franchisees and training courses were organized.

⁸ Interview with the national managing director of CO shops (7 November 2008).

4.5 Stage 4: commoditisation

The huge effort to give structure and to formalise activities, was mainly directed to govern increasing complexity. In the language of the managing director, this was meant to transform Alpha into “a proper organisation”, i.e. formal, structured, and rational. Nevertheless, this transformation never occurred in practice as Alpha was proud to be an informal organisation. In fact, the use of huge information available from MIS remained very poor. Moreover, decision processes remained unstructured. Moments for decision making were still irregularly set, such as when Mr. Alpha thought it was an appropriate time to discuss something.

Like a discourse among peers, these meetings occurred as open discussions on how business was going. The discourse was driven by managers' initiative to drive attention to an issue or an idea, or by Mr. Alpha's interest in collecting and sharing updates on particular operations or events. “Sometimes someone brought some data” to discuss, and in other cases, the founder asked the Management Control Director for a report or data. Nevertheless, the decision on whether to pursue these initiatives was often supported by intuitions about the state of the art of the market rather than on data showing performance or margin trends. As one of our interviewees said: “focus as well as direction of discourse and choices depends on the way the discussion evolves, as if there is an ‘invisible hand’ that drives the priority agenda and final decisions”. Alpha remained a very flexible and informal organisation.

Nevertheless, as the growth rates decreased, people lost the confidence to voice their thoughts and to search for opportunities, as they became focused on stopping the decline of sales. After several years at Alpha, where they had entered as young employees willing to do something new, they found themselves in their late thirties with no motivation or support to explore.

Sales of Alpha grew rapidly until 2001 (see Table 5) and were higher than € 70 million until 2007; however, in 2008, they decreased to € 61 million. This trend in Alpha's sales is in line with the course of industry rates and reflects both the economic downturn experienced worldwide at that time and a change in consumer preferences, as the market was entering a stage of maturity. In 2007, sales of computers increased by 13.1% in volume and only 5.5% in value, with a clear reduction in selling prices.⁹ According to Mr. Alpha, a process of commoditisation of IT was occurring, and large-scale retailers were gaining market shares by reducing prices.

In Mr. Alpha's vision, large-scale distribution was an opportunity for the company. The higher the number of personal computers sold by large retailers, the higher the number of customers who would need Alpha's technical support.

The company's sales were still mainly based on hardware, and technical services were a small share of total revenues. The contribution to profit from hardware sales was much less than proportional: whereas hardware sales represented about 95% of total sales for most of the shops (both company-owned and franchises), the profit

⁹ Source: Assinform, from Alpha's annual report on operations, 2007. Data refer to the whole Italian market.

margin on hardware was less than 4% of sales. Meanwhile, the profit margin on paid technical support was much higher (with virtually no variable costs, it could reach 100% of revenues). Competition with large-scale retailers was not based on price but on the quality of customer service and of after-sales technical support (for both software and hardware).

From 2005 to 2008, the share of CO shops on total sales decreased from 18.24% to 9.49% and four shops were closed. The reduction in the number of CO stores is explained by Alpha's emerging preference for franchises. This change in policy was due to several reasons. First, some employees showed poor managerial competences while entrepreneurs were much more motivated to sell hardware and provide high-quality services. Second, MIS reported only contribution margins by individual store, with no distinction between CO stores and franchises. In this way, Alpha did not take into consideration the profitability (contribution margins and CO store performance) nor the strategic value of the owned supply chain. With no evidence of possible benefits of CO stores in MIS, the preference for franchises was a natural outcome.¹⁰ As a result, Alpha decided to limit cost of labour. They reduced the number of employees at each shop and abandoned any reward mechanism based on sales targets which contrasted with the "big family" value. Moreover, they reduced opening hours of CO stores to allow employees to do the end-of-the-day data entry without working overtime. Such decision led the national managing director of CO stores to resign, and Alpha decided to group both CO stores and franchises under the responsibility of the Network and Distribution manager.

In late 2008, a new form of "light franchise" was introduced (by September 2009, 18 new "light franchises" had joined Alpha's network) for increasing sales, expanding the distribution network and testing a different form of affiliation. However, light franchises were a much weaker approach to the market compared to CO stores and regular franchises. They had no requirement to commit to a high percentage of sales of Alpha products, and, therefore, Alpha products were competing in those shops against a wide range of competitors' products. Moreover, these stores could decide to abandon Alpha products if sales were not satisfactory, while this option was clearly not available to the CO stores and regular franchises; as a result, light franchises' commitment to Alpha products was based only on short-term profitability. However, the MIS, which was given to them in a light version, collected information so that it highlighted none of these disadvantages, showing instead that profit margin for Alpha was always positive.

Together with hardware sales, Alpha was also concerned with service provision. All shops (CO and franchises) were encouraged to provide counselling and technical support to customers. Alpha also tried to improve sales through innovative

¹⁰ When talking about the profitability of a distribution network, Mr. Alpha noted, "for Alpha, it is exactly the same to sell in franchises and CO stores since they are charged the same reseller price". Mr. Alpha was perfectly aware that resellers gain a profit margin on that price and that CO shop profits belong to Alpha, whereas franchises' profits did not. However, he required CO shops to break-even. If a CO shop did not break-even for two years in a row, that shop was closed and, when possible, replaced by a franchise. Interview with the CEO (26 June 2009).

service provision (web housing and web hosting, hardware renting and online teaching). According to Mr. Alpha, the core business of the company was switching from hardware to services, and hardware was progressively becoming the way to close relations with customers and to sell services. However, most of profits from services remained in franchises' hands and Alpha realized not to have power to largely benefit from this market change.

5 Discussion

5.1 Emergent evolutionary dynamics

The history of Alpha illustrates a strong emergent character both of the MCS and strategy. As a matter of fact, leaps in strategy or in the MCS emerged as adaptive and gradual changes in a natural evolution: the first shop in the external network began as an extemporary extension of the existing business, and it was managed and controlled as if it were a customer (just a large one), given that the existing MIS was designed for managing orders. Similarly, the first shop in the company-owned network began as an imitation of competitors and from the opportunity given by a suitable potential shop director with no entrepreneurial élan. The existing MCS suggested treating it exactly like a franchise, as that was the way the available MIS was working. There was no reasoning regarding the advantages of integrating downstream, gaining the capability of collecting first-hand customer information and managing a wider range of activities of the value chain in terms of both products and customer margins (critical issues for the hardware-service bundle strategy) or product portfolio. The MIS perfectly supported this “additional shop approach” by providing product reports for each shop, which were decomposed along the chain. Given the strong emergent nature of both the MCS and strategy, steps in the company's life span are more suitably understood as gradual evolutionary steps, supporting that our evolutionary perspective is more adequate for understanding change than the separate analysis of discontinuities. As a matter of fact, a discontinuous view of Alpha's history in separate stages of fit and misfit between the MCS package and strategy without considering evolution of both elements is misleading.

5.2 Identity: embodied strategizing and controlling/accounting

In the initial stages (1 and 2), such an emergent history, is facilitated by an openness to novelty, i.e., by a readiness to view (seize and generate) strategic opportunities; the expansion of the distribution network as well as the enrichment of the product portfolio follow this line throughout the evolution. This readiness can be ascribed to a low formalisation of the MCS and strategy and to a high involvement of people in the business project, which built a penetrating culture and beliefs.

Several studies have shown that culture and values are not simple premises from which strategy and MCS are drawn and operated. Conversely, they build a form of management control among others (Ahrens and Mollina 2007; Merchant and Van der Stede 2007; Chenhall 2003; Sandelin 2008), as values, beliefs and social norms influence employee behaviour (Birnberg and Snodgrass 1988; Dent 1991; Pratt and Beaulieu 1992). More radically, in the practice perspective theory of management control (Ahrens and Chapman 2007), culture and beliefs are part of any form of management control or strategy as constituting practice. Practice is built of rules, practical understanding of the task, teleoaffective structures displayed by emotional and mental orientation of action, and general understanding of the context (Schatzki 2002, 2005), and culture is part of all of these.

Moreover, the concept of culture adopted in MCS and strategy studies can be expanded further. At Alpha, the founder of the company “embodied” what Alpha was and how it was directed (he is a “computer-holic”). He had no need to explicit strategy nor to set a MCS. Both were substituted by the diffusion of a typical identity within the organisation through the selection of his colleagues. These were people who were passionate about computers and coding, belonging to a clan (Ouchi 1979), in which issues of processing efficiency or coding procedures were discussed and translated into common practices. The only form of control was performed through the almost daily exchange of information, technical details and strategies, in which expertise was constantly assessed. Other forms of control were scarce if not absent: a primitive information system only recorded orders automatically and was a “natural” route for information exchange among technicians.

Our empirical case illustrates that identity can substitute any formal control and strategy, as it builds control and strategy from the inside as personal characteristics. An identity responds to a task in a certain way, which is his/her way of being and behaving. When the identity of organisational members is shared, there is no need for procedures or unifying practices that are already embedded in their beings and that are only consolidated and enforced through interaction. Practice is a way to handle the interplay between structure and individual and the merger of strategy and MCS in everyday work. Identity is another way that shifts the stress from the situated functionality of practices that allow “managers to support local managers’ attempts at pursuing diverse central objectives in local contexts” to “local initiative, serendipity, and adjustment to context” (Ahrens and Chapman 2005, p. 23) with a stress on the idea of emergent strategy (Mintzberg et al. 1976; Mintzberg 1978). In other words, practices imply a notion of functionality that is cognitively distributed over people and contexts and that provides people with rules and procedures and stimulates their motivation to act upon them; as such, they are a “resource for action” (Ahrens and Chapman 2005, p. 24). The idea of identity emerging from our analysis is that of a resource for action, which is not only much more open-ended but also less reassuring, as it does not necessarily imply a set of rules and procedures. As a result, exploration and openness to novelty are much stronger and can be highly distributed. At Alpha, the common identity, as well as the enthusiastic participation of organisational members in the initiative, who behaved more like entrepreneurs than managers or collaborators, played a prominent role in building a

shared and recognised strategy, and in transforming strategy into the exploration of new strategic directions.

5.3 “Substitutes” for identity?

Our analysis shows that identity is hard to maintain when the company experiences rapid growth (Stage 3). As Alpha grew, it became increasingly difficult to recruit truly passionate experts and thus to direct and control the organisation through shared practices and identities. Standards for recruitment were progressively reduced to technical expertise alone; however, this did not guarantee a complete adherence to the company’s values and beliefs, which were implicitly “IT-holic” in the early stages of development. This became evident when Alpha began to recruit inexperienced unemployed people to benefit from public incentives. As a result, organisational members lost their clear and shared identity, and the cultural system began losing effectiveness in affecting individual behaviour and did not set a context for control.

Correspondingly, there was an attempt to boost other control systems as a response to increasing complexity and dimension. Compensation became more structured, and rewards were introduced to direct the organisation towards the achievement of pre-set goals. A pervasive MIS was designed and implemented. The more the cultural system weakened within the organisation, the more the MIS became pervasive. In addition, symbolically, the MIS represented the imagination, or the code, of IT-passionate people (who formed the backbone of the firm in the beginning) that “became extinct”. Accordingly, its development favoured the seeming preservation of that culture and model of man.

Nevertheless, identity was substituted only to some extent by formal systems, as intervention was not played at the level of practices. At Alpha, the improved MIS was used only extemporarily. As a matter of fact, employees strongly preferred the exchange of practices through the web forum to the consultation of reports provided by the MIS.

Similarly, culture also plays a role but only if it is understood and managed as practice, which again supports our claim that the concept of culture, adopted in the literature needs to be extended. In the rapid growth phase, there was an attempt to regain culture through the value of “the big family”, and the pride for the large but “informal organisation”. Culture control systems substituted formal systems, such as reward and compensation systems as well design and governance systems, and were strongly coupled with the MIS in a way that constrained its use. Nevertheless, such restoration of the role of culture was unable to direct behaviours as strongly as identities did in the first stage.

The mainstream literature has acknowledged the existence of an interaction among MCSs and, in particular, between identity and other informal types of systems and the more structured and formal side of control. Sandelin (2008) added that a “substitution effect” is in place between the informal control package-elements part of cultural, personnel and action controls and the more formal control systems. Our case shows that the impact of such substitution varies according to the actual involvement of the practice level (Huikku 2007).

5.4 Exploration? A glance at performance

The initial context in which Alpha started to act was that of a growing consumer electronics market. It was a favourable moment for exploration, and it obtained increasingly powerful positive feedback. Moreover, Alpha could rely on creative young people (the mean age of employees was low) with a personal willingness to succeed. Thus, motivation to act was easy to find, and exploration was often successful. As a result, identity strengthened. Alpha's business model proved to work well, and the company began a "slow expansion strategy", mainly through internal growth (core element 3) and gradually chose a more rapid and consistent "network development strategy" (thickening process of core element 3), which was then strengthened (thickening process of core elements 1 and 2) and enriched with the introduction of greater attention to services provided to consumers (core element 4).

When growth rates began to decrease, the motivation to search for new business ideas or to renew the business idea faded, and there was the tendency to close on established positions. Similarly, the weakening of Alpha identity reduced élan and motivation to act. Strategy shifted to an "external growth strategy" (core element 3 changed into core element 5), which was supposed to decrease complexity by adopting profitability as a unique strategic indicator. Such a reductionist approach was also adopted with the internal network, as CO shops were required to break-even as well, instead of enforcing a customer-oriented approach. As a result, the organisation showed a lack of direction (e.g., the product system was built on the final consumer's requirements, but the value was not considered to be distributed along the whole value chain), which reflected the confusion perceived among members who had grown older in openness to novelty and displayed schizophrenia about practices.

5.5 Final remarks

This paper has empirically explored the dynamics of the relationship between strategy and MCS. We deployed a diachronic analysis which involved a vertical and a horizontal conception of dynamics thus extending the focus of both contingency and alternative empirical studies. The adoption of a practice theory perspective led us to challenge the concept of fit, which represents the centre of the mainstream contingency literature. In particular, we have questioned the role of fit in the evolutionary path of a company, discussing the traditional attention on discrete points of equilibrium which has been typical of previous studies in this stream.

We emphasize that since the very beginning of Alpha's history, its success is rooted on the ability to see and seize business opportunities. We show that instantaneous fit between formal MCS and deliberate strategy is not helpful in illustrating evolution, nor is able to explain success. Conversely, our analysis on practices allows to extend the practice perspective on other forms of support to action. In this latter line, identities embody strategy and MCS as they represent the locus of strategizing and controlling. Moreover, they play as substitutes for formal as well as formalized systems, providing the necessary flexibility to the organization

and autonomy to the individuals to seize opportunities as well as to face novel threats.

Formal systems have been acknowledged to be stabilizers, i.e., to freeze behaviours on cumulated repertoires of stimuli while grow insensitive to signals of change (Hedberg and Jönsson 1978). Stabilization may be built also at the level of practices, as they imply a way of understanding and doing things which is repetitive or even consolidated in rules or routines. In our case, identities prevented the organization to stabilize while they supported a continuous exploration strategy. As such, we highlight identities as potential open ended response systems implying a way of being which acts as a guiding principle for action, with no necessary need for established rules or procedures.

Instead of supporting fit as a positive status of organizations or claiming for the redressing of misfit, our study stresses the stabilizing or destabilizing role of MCS and strategy relationship. In this sense, it points out the major potential of misfit in opening degrees of freedom between inconsistent systems: ambiguity implies the definition of blurred constraints for action which is freed. As a matter of fact, unless fit is built for destabilizing, e.g., unstructured MCS paired with implicit and emerging strategy, fit has a higher tendency to stabilize. In this line of thought, we conclude that in the design of the MCS or strategy, attention does not have to be focused on the reciprocal fit, but rather on the ability of both (MCS and strategy) to support the exploration of new directions of evolution.

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