



Management Control System in SMEs – A Case Study

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Abstract

SMEs have a significant role in the Portuguese economy, creating employment and contributing to exports and trade. However, advanced management practices – such as Management Control Systems (MCS) – are rare in these companies, something that is often pointed out as one of the main reasons for their failure. In this study, I aim to contribute to the literature on Management Control in this type of organisation.

After studying four different perspectives on MCS, I reached a theoretical framework which I applied to my research, based on 6 different dimensions: results, administrative, interactive, personnel and cultural controls and strategy and plan. The literature suggests that there are specific traits of SMEs that explain the characteristics those dimensions assume in SMEs. However, such literature is still scarce and there is a need to dig into the reasons behind these specific characteristics.

To accomplish my purpose, I chose to follow a case study methodology. I conducted a study in a Portuguese SME that works in the trading sector, exporting food and non-food product to an African market. Through the accomplishment of different interviews and analysis of the company's documents, I identified the characteristics of the different MCS dimensions present in the company and compared them to those the literature suggests.

In general, conclusions of the literature on the topic were confirmed, but some differences were identified and two important contributions emerged from my study: the professional experience and specific characteristics of each employee belonging to an SME can impact the way an organisation operates and uses the MCS; and the application and use of MCS can be more efficient if the organisation is not in its initial stage and has been operating in the same market for years.

Resumo

As Pequenas e Médias Empresas (PME) têm um papel significativo na economia portuguesa, criando emprego e contribuindo para as exportações e o comércio. No entanto, práticas avançadas de gestão – como os Sistemas de Controlo de Gestão (SCG) – são raras nestas empresas, o que é muitas vezes apontado como um dos principais motivos do seu insucesso. Neste estudo, pretendo contribuir para a literatura sobre o Controlo de Gestão neste tipo de organizações

Depois de estudar quatro perspetivas diferentes sobre SCG, elaborei um quadro teórico que apliquei à minha pesquisa, baseado em 6 dimensões diferentes: controlo de resultados, administrativo, interativo, pessoal e cultural, e estratégia e plano. A literatura sugere que existem traços específicos das PMEs que explicam as características que essas dimensões assumem nestas empresas. No entanto, tal literatura ainda é escassa e há necessidade de aprofundar as razões por trás dessas características específicas.

Para cumprir o meu propósito, optei por seguir uma metodologia de estudo de caso. Realizei um estudo numa PME portuguesa que trabalha no sector do comércio, exportando produtos alimentares e não alimentares para um mercado africano. Através da realização de diferentes entrevistas e análise de documentos da empresa, identifiquei as características das diferentes dimensões do SCG presentes na empresa e comparei-as com as que a literatura sugere.

Em geral, as conclusões da literatura sobre o tema foram confirmadas, mas algumas diferenças foram identificadas e duas importantes contribuições emergiram do meu estudo: a experiência profissional e as características específicas de cada funcionário pertencente a uma PME podem impactar a forma como uma organização opera e utiliza os SCG; e a aplicação e uso dos SCG pode ser mais eficiente se a organização não estiver na sua fase inicial e atuar no mesmo mercado há anos.

List of Abbreviations and Acronyms

MC: Management Control

MCS: Management Control System

PM: Performance Measurement

PMS: Performance Measurement System

SME: Micro, Small and Medium Enterprise

KPIs: Key Performance Indicators

BSC: Balanced Score Card

KSF: Key Success Factors

HR: Human Resources

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1. Introduction

Back in the 90s, managers faced issues exercising control in organisations that required flexibility, innovation, and creativity (Simons, 1997). One solution for this was to replicate the control exercised in the 1950s and 1960s and tell employees exactly what to do and be constantly watching them. Nevertheless, in many organisations operating in dynamic and competitive markets, it's not possible for managers to spend time and effort controlling their employees. Instead, managers must encourage employees to develop process improvements and new ways of thinking to achieve customer's needs, in a controlled way.

In more recent years, new analytical conceptualizations of management control systems (MCS) emerged (Strauß & Zecher, 2013). One of these conceptualizations is the adaptation of MCS to the SMEs.

SMEs play a significant role in the economy. There is a broad consensus that a vibrant SME sector is one of the main driving forces in the development of a market economy. SMEs encourage personal ownership and entrepreneurial skills, create employment, support to differentiate economic activity, and play a major role in exports and trade. As UNECE (United Nations Economic Commission for Europe) reported, even in the developed market economies, SMEs account for a large share in output and employment.

Although SMEs' overall importance, advanced management practices sometimes are rare in these companies, something that is identified as one of the main barriers to SMEs' growth and a key cause to their failure. This way, the development of MCS could support the growth of SMEs and help them pursue short and long-term goals, but still enable their flexibility, agility, and capacity to adapt to changing circumstances (Pešalj et al., 2018).

However, the literature on this topic is still scarce. So, my objective with this research is to study the MCS in SMEs, through a case study, and achieve findings that minimize the literature gaps and add valuable information to it.

To accomplish my purpose, I start by studying the main approaches to MCS in general, according to 4 main authors' perspectives and combine them into different types of controls used in the organisations. I also do research on the specific characteristics of SMEs

and how they are related to the MCS used. At the end of chapter 2, I combine the main management controls used in SMEs, according to the literature, in a theoretical framework.

In chapter 3, I present the methodology used, which is a case study. This methodology allows indirect interaction with the company and this way I can study the controls used and how they are implemented. The company object of my study is a Portuguese trading company with 7 employees, in the retail sector.

Chapter 4 presents the company itself and the results of my research, discussing them according to the theoretical framework that was developed beforehand.

In the last chapter it is mentioned clearly what are the main outputs of my research to the literature on this topic, the limitations I had during this process and suggestions for future research.

2. Literature review

2.1 Management Control and Management Control Systems

2.1.1 Definitions

The first mention to *control* was made by Thomas Sanders in an accounting class in 1921/1922, followed by Earle Burchell who mentioned budgetary control a few years later (Strauß & Zecher, 2013). Ross Walker and Robert Anthony continue to develop these early thoughts on MC. For Walker, the term control was more than a limitation to human conduct, it was also “ensuring an adequate supply of successful operation” (Walker, 1938 cited in Zeff, 2008, p. 181). Harvard Business School created the “Management Control” course, taught by Anthony.

According to Anthony (1965), on one side, strategic planning is “the process of deciding on objectives of the organisation, on changes in these objectives, and on the policies that are to govern the acquisition, use, and disposition of these resources” (Anthony, 1965, p.16). On the other side, operational control “is the process of assuring that specific tasks are carried out effectively and efficiently” (Anthony, 1965, p.18). The process that connects strategic planning and operational control is called management control (MC) and can be also seen as the back end of the management process (Merchant & Vand der Stede, 2007).

Anthony defined MC as “the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation’s objectives” (Anthony, 1965, p.17). The traditional framework for MC was developed by him under the title of “Management Planning and control systems” and envisioned to accomplish two goals: widen the scope of information being considered beyond just accounting information and bring questions of managerial motivation and behaviour into the interpretation (Otley, 1999).

A management control system might be defined “as a system of organisational information seeking and gathering accountability, and feedback designed to ensure that the enterprise adapts to changes in its substantial environment and that the work behaviour of

its employees is measured by reference to a set of sub-goals (which conform with overall objectives) so that the discrepancy between the two can be reconciled and corrected for.” (Lowe, 2019, p.5). The MCS’ main objective is to offer useful information to managers when executing their jobs and to help the organisation maintain and develop feasible patterns of behaviour (Otley, 1999).

2.1.2 Conceptualization of MCS

Additional to Lowe’s approach to MCS previously mentioned, its scope is being extended and I consider in my research other important approaches such as the Merchant & Vand der Stede Theory (2007) which divides controls into results controls, action controls, personnel controls and cultural controls; Simons’ Levers of Control (1997), combining four instruments to act as a lever to improve control in an organisation – Beliefs, Boundary, Interactive and Diagnostic Systems; Ferreira and Otley’s (2009) Framework for Performance Management Systems, proposing ten “what” questions and two “how” questions with the objective of being a base for future investigations; and “MCS as a Package” theory of Malmi & Brown (2008), that differentiates MCS into five distinct groups: planning, cybernetic, rewards and compensation, administrative and cultural controls.

The dimensions of MC presented next, can be framed as formal controls or informal controls. First ones are defined as the number of practices and rules, with performance evaluation, reward standards, and budgeting systems, used to control results over feedback and feed-forward, this is to check what are also the capacities employees need to work on in the future. The second type of controls are systems that encourage an organisational environment through shared values, beliefs and traditions that influence the behaviour of the organisation’s members (Laguir et al., 2019).

In the current research, is adopted a conceptualization of management control that combines elements of all authors mentioned above, resulting in the six MC dimensions presented below: Results Control, Administrative Control, Interactive Control, Personnel Control, Cultural Control and Strategy and Plan.

The **results control** is used to control behaviour of employees, through the monitoring of targets and profitability, and to measure progress toward goals, while avoiding

constant monitoring and leaving the actual execution of operations to the people responsible for the performance of those units (Merchant & Vand der Stede, 2007; Simons, 1997). However, this type of management control can create constraints on employees that lead to control disasters because employees are encouraged to achieve difficult goals by themselves. As their rewards are based on the achievement of these targets, employees will be working conscientiously to achieve them (Simons, 1997).

The focus of results control is the Performance Measurement System. To implement it, manager can first start to define the performance dimensions or Key Success Factors (KSF), comprehending the activities, attributes, competencies, and capabilities considered essential for the organisation's success (Ferreira & Otley, 2009), because if the goals employees must achieve are not properly set or not aligned with the company objectives, the results control system will encourage employees to do wrong things (Merchant & Vand der Stede, 2007). Secondly, the manager should measure the performance or dimensions settled, through the Key Performance Measures or Key Performance Indicators (KPI's), that are quantifiable measures of performance over time for a determined goal, which determine targets for teams to achieve, milestones to track progress and visions that allow people to make better decisions, in all areas of the business. measuring the performance or dimensions settled (Merchant & Vand der Stede, 2007). These measures may have a financial or non-financial nature and according to the BSC, should be a maximum of twenty-five (Ferreira & Otley, 2009; Merchant & Vand der Stede, 2007). The third step is to set achievable performance targets or standards, stimulating employees' motivation, by granting conscious targets for employees to work on (Merchant & Vand der Stede, 2007). Lastly, implementing a reward system can motivate individuals to align their goals with the organisation's ones, and may include rewards such as recognition, salary increase, promotions, job security, among others (Ferreira & Otley, 2009; Merchant & Vand der Stede, 2007). However, if an employee's performance is poor, the manager can apply punishments as demotions, disapprovals, not get rewards or dismissal in worst cases (Merchant & Vand der Stede, 2007).

According to Malmi & Brown (2008), **administrative controls** influence employee's behaviour through the organisation of individuals or groups, the monitoring of behaviour and if employees take responsibility for their behaviour and stipulating what and how tasks and behaviours should or not should be done.

Some important instruments of this type of control are: the organisation design and structure, which are the formal specification of the individual tasks and roles employees are supposed to perform (Ferreira & Otley, 2009); the governance structure, being made of the company's board structure and composition and the management and project teams, and containing formal lines of authority and systems that help organisations to accomplish their activities vertically and horizontally (Malmi & Brown, 2008); and the action controls, that ensures employees take actions that are beneficial for the organisation and are defined in negative terms or as minimum standards, expressing people what not to do (Merchant & Vand der Stede, 2007; Simons, 1997). Some examples of the limits delimited by action controls are standards of ethical behaviour or codes of conduct, which express off-limit activities and should be clearly communicated and enforced without doubt.

Interactive controls according to Simons (1997, p.86) are “the formal information systems that managers use to involve themselves regularly and personally in the decisions of subordinates”. They trace the most important strategic uncertainties, related to different areas, which can challenge the vision of the future. Interactive controls focus on exchanging information that managers have identified as potentially strategic and devoting time to it can bring new strategies to the company. Some dimensions of this system are the feedback, feedforward, and the budget (Ferreira & Otley, 2009; Malmi & Brown, 2008). Organisations can also implement system like an ERP (Enterprise Resource System), that provide reliable financial and nonfinancial information.

Personnel controls are responsible to provide the resources employees need and generate on them natural tendencies to control themselves, encouraging self-monitoring. This dimension creates a trusty relationship between employees and the organisation through decent work conditions. However, senior managers must allow employees at lower levels to have more independence and be constantly helping to raise their potential. The main methods of this type of control are the selection and placement, the formal or informal job training and providing the right number of tasks and resources that employees need to conclude them (Merchant & Vand der Stede, 2007).

Cultural controls intend to inspire common monitoring and are a powerful way of group pressure on people who diverge from group's norms and values, so it works better in groups where members have emotional ties to each other (Merchant & Vand der Stede,

2007). Their main objective is to incentive the commitment of employees to the organisation's core values (Simons, 1997).

Organisational cultures are made on collective traditions, values, ideologies, beliefs, norms, attitudes, and ways of behaving and usually stay fixed over time. These cultural norms can be embodied in written or unwritten rules such as codes of conduct or group rewards, that are the two most important methods (Merchant & Vand der Stede, 2007). Codes of conduct are a written and formal document that provides the statement of organisational values and ways that employees are expected to act and perform their jobs. Those can be a code of ethics, organisation credo, mission or vision of the organisation, and should be effectively communicated and supported by a strong leadership and formal training sessions (Ferreira & Otley, 2009; Simons, 1997). Group rewards, a bonus or profit-sharing plan based on the organisation's performance, can appear like an offer of acquiring company's stock and improves productivity and teamwork (Simons, 1997).

The **strategy** is the direction the organisation wants to pursue to achieve its long-term goals, which should include the development of strengths aligned with KSFs and be clearly communicated. This dimension focus on the actions identified as necessary for the development of the organisation and can follow a top-down approach or a bottom-up approach. Understand what strategies and plans are adopted by an organisation, and how they implement and communicate them to employees, is required for the organisation's success (Ferreira & Otley, 2009).

In conclusion, senior managers have more control of the company's operations by using all types of control combined, setting in motion forces that reinforce one another and having the benefits of innovation and creativity without harming the ones resulting of control (Simons, 1997).

In the following table are resumed the six dimensions of MCS presented before:

MC Dimension	MC Dimension according to Literature
Results Controls	Result controls use the PMS to control behaviour of employees, defining KPIs to be measured and applying targets that employees should aim to achieve to possibly receive rewards.
Administrative Controls	Administrative controls, influence employee's behaviour through the organisation of individuals or groups, the monitoring of behaviour and if employees take responsibility for their behaviour and stipulating what and how tasks and behaviours should or not should be done.
Interactive Controls	These controls are the formal information systems that managers use to engage themselves frequently and directly in the decisions of subordinates, and count with use of feedback, feedforward, budget, or ERPs.
Personnel Controls	They are accountable to provide the resources employees need and generate on them natural tendencies to control themselves, through a correct selection and placement of employees and job training.
Cultural Controls	Cultural controls' objective is to incentive the commitment of employees to the organisation culture, made of collective traditions, values, ideologies, beliefs, norms, attitudes, and ways of behaving that usually stay fixed over time and that can be embodied in written or unwritten rules such as codes of conduct or group rewards.
Strategy and Plan	The strategy is the direction the organisation wants to pursue to achieve its long-term goals that should include a well communicated plan with the actions identified as necessary to pursue the defined strategy.

Table 1 Resume Table of the MC dimensions

2.2 Micro, Small and Medium Enterprises (SMEs)

In Portugal, it is considered as a SME a company employing less than 250 people and whose annual turnover does not exceed 50 million € or whose annual balance sheet total doesn't exceed 43 million € (*Portal Do INE*, n.d.).

INE describes a Medium Enterprise as a company employing less than 250 people and whose annual business volume does not exceed 50 million € or the total annual balance sheet doesn't exceed 43 million € and it isn't classified as a small or micro company. A Small Enterprise employs less than 50 people and its annual business volume or annual balance sheet total is less than 10 million €. A Micro Company employs less than 10 persons and its annual turnover and/or annual balance sheet total does not exceed 2 million €.

The literature mentions different specific characteristics of SMEs such as: informality and subjectivity of the management style; simple, reduced, and informal structure; lack of employees' experience; presence of self-monitoring; inconsistency of strategies and focus on short-term; small market share; thin customer base; resource and financial constraints; disadvantages due to economies of scale; and they don't recur to external sources of advice, like consultants.

The management structure of SMEs is simple and informal, employing family/friends. As SMEs employ few people, many times the owner/founder assumes the role of CEO. This way, decision-making in SMEs is naturally focused on the owner-manager or on a small team, who incline to act based on intuition and individual experience (Pearson et al., 1990). Due to the reduced number of employees and to possible lack of experience and training of CEO, the management style is highly informal and customized, involving face-to-face communications. The CEO or management team, control all operations in an informal way, communicating closely with employees and relying on self-monitoring. (Nilsson, 2010). The formulated strategies are not very coherent, and the focus is on short-term priorities (Pešalj et al., 2018).

These types of companies typically have a small market share and a thin customer base, resulting in high resource constraints and low access to financial instruments (Legg et al., 2015). Due to having a reduced dimension, financial institutions sometimes hesitate in

support them, and without this support it is many times difficult to grow and increase its market share. Though, nowadays there are more financial incentives to SMEs and to start-ups. The owners of SMEs sometimes do not recur to external sources of advice and support due to their financial constraints and can have prominent levels of personal subjective and technical knowledge. SMEs can have disadvantages due to economies of scale since they have a small market share and few customers, and occasionally are geographically isolated (Legg et al., 2015). This last characteristic appears because some of these companies tend to be located where people live. For example, business in small villages in Portugal that people create so they can survive, like grocery stores, restaurants, or coffee shops.

Some of the above characteristics, like the lack of advanced management practices and resources, explain why half of SMEs fail in the first years of life or have problems growing. It also does not help that they struggle to formulate coherent strategies or focusing much on short-term priorities, because strategic choices about the future usually depend on the vision and beliefs of the owner (Sexton & van Auken, 1982). However, even with this constraints and disadvantages comparing to bigger companies, SMEs are frequently successful, due to their dynamism, capacity to innovate and flexibility.

2.3 Management Control Systems in SMEs

According to Bouquin (2008), MC in SMEs acts as an ongoing process organized to take place before, during and after the action. However, the traditional MC was based on three main phases: identify the facilities to be achieved, define tasks and resources, and compare results obtained with the expected ones (Kombate, 2017). In SMEs this traditional MC is still very used, being reflected on the financial statements and when providing historical support on the results achieved by the company. Even nowadays, sometimes MC takes the form of “control the budget,” finding the variance between expected and obtained results.

MC appears for SMEs as a regulatory tool, a mechanism that contributes to the integration of the company in the market economy and is less formalized (Kombate, 2017). The PMS should be aligned with the strategy, mission, vision, and control. Furthermore, senior managers should frequently monitor and evaluate performance outcomes and the fluctuations in the market over a system of results and interactive controls. With the assistance of feedback and a feed-forward, the control system can increase the efficiency of the company and recognise new opportunities (Kombate, 2017).

Senior managers empower their organisations since they believe in the potential of their employees to add value and innovation to the company. To achieve this, senior managers must allow employees at lower levels to have more independence and should be constantly helping to raise their potential. In small organisations managers typically do this informally, while eating or travelling together. They should effectively communicate the core values, mission, rules, and current targets (Simons, 1997).

In 2018 it was published a study that observed how MCS were used in a German SME, more specifically according to Simon’s theory (Pešalj et al., 2018). Authors concluded that the cultural controls were extensively used: the company guides individuals internally and the external relationships according to its strong values. Internally, the key values undergo being an open culture, encouraging sharing the success and failures and a low power distance. Externally, the company wants to involve and offer a personal trace to the relationship with the client. For them, the core values are a fundamental part of the cultural controls and guide the expected behaviour of employees. They also try to diffuse the core

values during informal activities. Another of their findings is that the administrative controls exist just to guarantee a minimum level of performance in certain activities. There are some requirements to the employees that are used consistently to safeguard the excellent service to clients. In terms of results controls, the German SME used budgeting and a set of performance indicators to track and report its performance, such as weekly or monthly KPIs that were financial or operational. Regarding interactive controls, they started using BSC and a strategy map.

To sum up, the study of Pešalj et al. (2018) concluded that SMEs adopt less technical and formal mechanisms to manage performance. The most important controls are the cultural and the interactive ones, and they were fundamental because were less costly and controversial than more formal mechanisms like rewards. The cultural controls were continually being enacted by all senior managers and aligned with the management style and organisational culture. Both systems were mobilized through dialogue and discussion and were tightly linked to the results and administrative controls.

Teguh Sriwidadi (2012) proposed a model of integration of the PMS with MCS to improve the performance of SMEs. This model aligns cultural and administrative control system (or beliefs and boundary controls) with the strategy and transforms strategy into action with the help of a results (or diagnostic control) and interactive control systems as a dimension to measure performance. In SMEs, the measurement of PMS must be aligned with the strategy, mission, vision and control, and senior managers should frequently monitor and evaluate performance outcomes and the fluctuations in the market over a system of results and interactive controls. With the assistance of feedback and a feed-forward, the control system can increase the efficiency of the company and recognise new opportunities. This modified framework was specifically designed for SMEs to tailor its characteristics and needs (Sriwidadi, 2012).

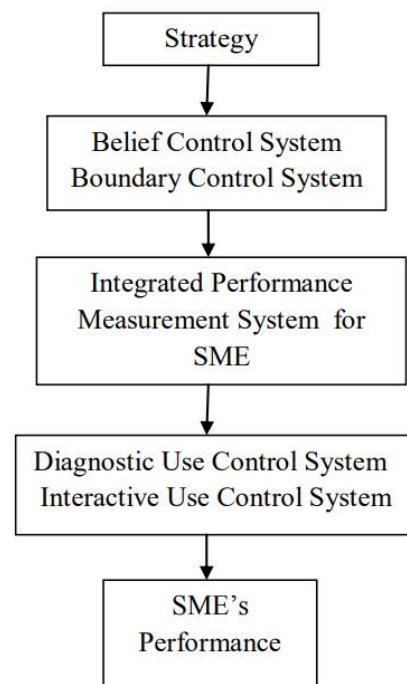


Figure 1 Sriwidadi's PMS Model

Halale (2011), performed a study that led to conclusions helpful in my research. According to him, SMEs do not plan with rigor. This means, they do not regularly follow a formal framework or strategy neither prepare alternative options, what leads to goal incongruence among employees and to a less precise authority structure. Instead, they rely on informal strategy and communications and do not give much importance to environmental analysis nor to the environmental threats or opportunities. SMEs' plans have low emphasis on data/information, lacks benchmarking practices and marketing planning is informal. Their organisational structure is also informal, and the decision-making process is still ad-hoc. However, they usually have a record system to support financial statements. The control mechanisms do not follow any specified pattern, rules, or policies and the financial measures are more used than the other MCS components. Performance evaluation, when exists, is informal and concentrates on production functions and is short-term oriented, and the job analysis and training is not very developed. The formal review system may not be present in all SMEs as well as continuous tracking of performance and a feedback mechanism. They focus more on recruiting and retaining, and pay system is rigid and rarely related to performance (Halale, 2011).

According to Gupta (1998), in small firms, there is present a sense that the entire business operation is only the responsibility of the owner-manager, and the division of responsibilities is less precise.

SMEs do not always employ a formal MCS, because they lack the information system that provides the knowledge that allows managers to perform other tasks, due to the financial or personnel resource constraints (Voss & Brettel, 2014). The owner-managers frequently adopt a MC style with recurrent interactions with employees and close participation in the company's operations. SMEs can benefit from employing informal controls built on organisational values and they are less costly than formal ones.

It is well known that formal accounting controls are frequently instrumentally simplistic in SMEs. However, according to Hackner & Nilsson (1999), there is a positive relation between formal models for product costing and profitability. This proposes that companies with poorly elaborated accounting controls, use their experience from comparable circumstances as a critical basis in situations where knowledge about causation is low. The elevated levels of trust and shared accountability present on SMEs, decrease

dependence on formal controls. The formal controls are also not significant when operations concern a thin product line, and customer relations need to be in contact with only a minor number of key-customers, because competencies become more related with sales and technical production aspects (Nilsson, 2010). SMEs operate using simple organisation structure, which allows them to be more flexible and faster in response to environmental changes. However, as resources are limited, the range of strategic options can decrease and make difficult the adaptation of strategies to new environmental changes. They can overcome this limitation building external relationships through formal and informal business networks (Nilsson, 2010).

To sum up, SMEs adopt less technical and formal mechanisms to manage performance and rely on informal coordination mechanisms, rather than formal structures. The following table resumes all the characteristics of MC Dimensions presented previously:

MC Dimension	MC Dimension in SMEs according to Literature	Authors
Results Controls	PMS in SMEs is usually the minimum needed and financially intensive, ad-hoc and informal. They typically follow strongly financial measures more than other MCS dimensions and concentrate much on the cash budget, using a set of financial and operational performance indicators to track and report their performance - weekly or monthly KPIs. Non-financial measures seem not to be very present in SMEs, and those usually tell us the real potential of the firm. In the end, performance evaluation is not formal and concentrates on production functions with a short-term orientation. The performance-based reward system is vague in smaller firms and the pay system is rigid, and low related to performance. A formal review system like nonstop tracking of performance and a feedback mechanism is barely observed in SMEs.	(Pešalj et al., 2018); (Halale, 2011)

Administrative Controls	<p>This type of control exists just to guarantee a minimum level of performance in certain activities. There are some requirements to the employees that are used consistently to safeguard the excellent service to clients. Usually, this type of control does not follow any specific pattern and it is more informal. Division of responsibilities and resource allocation are not precise, and an authority structure is rarely observed in SMEs, emerging a sense that the entire business operation is the responsibility of the owner-manager.</p>	<p>(Pešalj et al., 2018); (Halale, 2011); (Gupta, 1988)</p>
Interactive Controls	<p>On interactive controls, SMEs use the BSC and a strategy map and heavily rely on informal communication, lacking formal feedback and reporting mechanism. It is observed that smaller firms place less emphasis on their data/information to build and strengthen their plans. Some SMEs do not have 100% reliable financial statements, neither an authentic information in their record system and those are maintained usually only to satisfy financiers. Since they do not have the appropriate information systems, managers cannot devote their attention to the most important tasks, and this can happen due to insufficient personnel or financial resources.</p>	<p>(Pešalj et al., 2018); (Halale, 2011) (CIEM, 1997); (Voss & Brettel, 2014)</p>
Personnel Controls	<p>Senior managers must allow employees at lower levels to have more independence and be constantly helping to raise their potential and in SMEs managers do this more informally while eating or travelling together. Job analysis and employee training are not so efficient in SMEs. Regarding the hiring process, several times in SMEs employees are friends/family of the</p>	<p>(Simons, 1997); (Halale, 2011)</p>

	owner/manager and they can find out about the job by mutual connections.	
Cultural Controls	The cultural controls are broadly used: the company guides individuals by strong values and supposes to manage internal and external relationships according to them. Internally, SMEs aspire to have an open culture, encouraging sharing the success and failures and a low power distance. Externally, the company wants to involve and offer a personal trace to the relationship with the client. For them, the core values are a fundamental part of the cultural system and guide the expected behaviour of employees. They also try to diffuse the core values during informal activities. SMEs can have a problem with goal incongruence since they rarely follow a formal framework to tie together the efforts of all concerned.	(Pešalj et al., 2018); (Halale, 2011)
Strategy and Plan	Most SMEs follow an emergent or obscure informal strategy and only concentrate on functional strategy. Cultural and administrative control systems should be aligned with the strategy, transforming it into action with the help of a results and interactive controls as a dimension to measure performance. The strategic goals are not effectively supported by PMS and marketing planning always remains informal. SMEs pay low attention to the dynamics of the business environment and plan without rigour. They are not very aware of threats neither of opportunities. As consequence, they fail to anticipate future unfavourable situations.	(Halale, 2011) (Sriwidadi, 2012)

Table 2 MC dimensions in SMEs

3. Methodology

The adopted methodology has a high importance for any study, attributing validation, and trust to it. I chose to follow a qualitative research method that helps understanding people's beliefs, behaviour, attitudes and experiences, and it produces non-numerical data (Kalra et al., 2013).

I decided that my study would follow a Case Study methodology, which in Yin's (1994) point of view, is "an empirical inquiry that investigates the case or cases conforming to the before mentioned definition by addressing the "how" or "why" questions concerning the phenomenon of interest." (Yin, 1994, cited in Yazan, 2015, p. 138). In this type of methodology, the researcher has little control of events happening and elaborates the case study with a logical design, pre-described data collection techniques and data analysis methods.

According to Yin, a Case Study should have the following elements: the study's questions; its propositions; its unit(s) of analysis; the logic linking the data to the propositions; and the criteria for interpreting the findings. Furthermore, the main data sources according to the previously mentioned author are documentation, archival records, interviews, direct observations, participant observation and physical artifacts (Yazan, 2015).

My objective in the research is to understand how are being used the MCS in the SME I am studying and compare it to the already existing results in the literature, to conclude if they frame or not. This way I can also complement the literature on this topic, which is currently scarce.

The decision of using a Case Study is based on my belief that is an appropriate methodology with a suitable structure for what I want to achieve with my research because besides using different information sources, provides different points of view about the research's topic, derived from different interviews and observation, and can be also helpful for the company itself.

The methodological approach of this research is based on collecting information by two main ways: doing interviews and analyzing documentation. This way, I can obtain distinct types of information from different perspectives that complement each other.

Interviews allow researchers to focus on the specific case they are studying and obtain the interviewee perspective about the topic. Interviews are an important instrument for data collection that provide us relevant information that we could hardly obtain by other ways. However, people sometimes can give incorrect information, due to lack of memory, different interpretations of the question or they do not want to give their true opinion.

Analysing a company's documents allow researchers to corroborate and increase the evidence and trustworthiness of other sources. Documentation is a stable information source, covering a wide variety of situations during an extended period, and we can analyse similar documents in different years. These documents can be financial or non-financial and give us more objective data than the interview. However, they can be incomplete or made with mediocre quality.

In my research, I started with a pilot and principal interview to the CEO. Since he is the owner and founder of the company, most of the information could be obtained through interviewing him. So, I planned an interview that would get me information on all MC dimensions I study in my research. Then, according to the answers I planned interviews to the other employees: two interviews to the managers, which are the right-hand of the CEO, followed by interviews to the other three employees of the company – the two administrative and the designer. These five interviews were helpful not only to provide more information but also to confirm the one that CEO provide, giving their point of view on the topic.

I also had the opportunity to analyse documents such as the financial report and the management report, both of 2021. The management report was particularly useful since stated the difficulties for the business in 2021, how they intended to surpass them, the evolution of certain financial indicators and other relevant information. In this report, I was able to understand better their strategy and how their values are reflected in it.

4. Case study

4.1 The company

For this research effects, I entitle the studied company as *Sigma*.

Sigma was founded in the late 90's with the aim of being a reference player in the export of food and non-food products to an African market. This trading company works in Business-to-Business market, exporting products, with a particular focus on liquors and wine, to retail companies in the market it operates.

Although they are only selling in one market, they buy from other companies present in many continents, such as Asia, America and Europe, and their main mean of transport is the sea one. They are based in a Portuguese city, but they do not have any warehouse, only the office: they ship directly from producers to customers or, when needed, they store the goods in the containers on the warehouses of their freight forwarders.

They are exclusive representatives and distributors of certain brands in their market and their objective is to fulfil customer satisfaction and expectation, with the correct price.

Regarding *Sigma's* hierarchical structure, as we can observe in the Appendix, it is composed by seven people. At the top of the company, it is the CEO, also owner/founder. Below him, there is the Purchasing and Business Developer Manager, aligned with the Financial and HR Manager. By competency of this last-mentioned manager, we can find two administrative. Lastly, we have a designer and a marketeer.

4.2 Results and Discussion

Sigma is managed by the owner in a customized and non-formal way, controlling operations closely and personally (Legg et al., 2015). They do not recur to external sources of advice, for example consultants to do benchmarking, and all employees apply in their job the experience and knowledge they already have. CEO manages the company in an informal way due to the simple structure and to employing people he knew in advance through mutual connections (Pearson et al., 1990). By these previous reasons and due to the reduced dimension of the company, CEO relies on self-monitoring and there isn't any code of conduct (Nilsson, 2010).

However, the management doesn't have lack of experience and training since some of the company members already had an extensive know-how when they entered the company and maybe because of that the strategy is well planned and focused on medium/long-term priorities. They also don't suffer by disadvantages due to economies of scale since they are the main distributors of certain brands in their market.

All company's employees agreed that controls are mostly informal. However, there is a big and increasingly formal component, considering the small dimension of the company and the number of employees. It is noticeable the effort in implementing more formal controls and the most important controls are the cultural, personnel and results controls, being less valuable the interactive and administrative.

According to Voss & Brettel (2014) SMEs adopt less formal MCS because they lack an information system that provides knowledge that allows manager to perform other tasks. In *Sigma*, does not seem to exist a very developed information system, which can be one reason for the use of informal systems. Also, these same authors and Hackner & Nilsson (1999), defend that SMEs can benefit from employing more informal controls, more based on organisational values, since they are less costly. Given that the organisational values of the company are very present among the collaborators and there is an important level of trust among them, this can be another reason for the use of informal controls. Lastly, the company is only focused on one market and this way employees can direct their attention to aspects more related with sales, purchases, and relation with clients (Nilsson, 2010).

I now analyse with more detail the use of the different MC dimensions in the company studied and identify the reasons behind the deviations from the literature.

4.2.1 Results Controls

There is a formal PMS that analyses the performance of each employee alone and of the company, using as reference the objectives and budget fixed in the year before and the different KPIs. The KPIs are continuously measured, monthly and quarterly, and with more detail at the end of each semester and year. The responsibility of control each employee's activity is of the CEO, Financial and HR Manager and Purchasing and Business Developer Manager. The CEO himself performs the control and evaluation of the Financial and HR Manager and Purchasing and Business Developer Manager.

“The PMS exists and is based on the analysis of the performance of each worker alone, and of the company as whole, comparing to the objectives and budget already fixed and to the different KPIs established.”

In *Sigma* there are used financial KPIs, like the budget, invoicing, profitability, receipt deadlines, payment deadlines and financial discounts, and non-financial such as the number of mistakes made by each employee, the customer and supplier satisfaction, and the deadline compliance for each task. However, as the company is working on a new KPI model that has not been used so far, not all employees knew clearly their KPIs. The two Administrative cited that they didn't know them in a very objective way but pointed out as important ones the time taken to perform the assigned tasks, the productivity and quality of work, capacity to overcome problems and efficiency. Financial and HR manager mentioned as important KPIs the time taken to perform assigned tasks, financial ratios, monthly account closing, payment and receipt deadlines, improvement of prices with financial institutions and reduction of exchange rate costs.

As mentioned by the employees, they knew exactly what aspects of performance are evaluated and highlighted the assiduity, availability, being on time, the overcoming capacity when facing obstacles and solving them, the contact with suppliers/clients/partners and the quality of execution of the proposed tasks.

After performance measurement, managers give feedback to their employees and during the year they also exchange information on what each of them needs to improve in their performance. This feedback is always given, whether is negative or positive. Besides that, there are regular meetings during the year to exchange different types of information, which makes employees think that communication with the leadership is simple. However, not every one of these meetings counts with all company's members.

Regarding the rewards system, the CEO declared that exists the possibility of annually the employees gaining productivity prizes, depending also on the income earned by each of them.

Overall, employees don't feel like they are being controlled by the company. Only that their performance is being monitored such as their productivity and proactivity in the performance of proposed tasks.

"I wouldn't call it control, but more a monitorization of the performance and analysis of the productivity and proactivity in the accomplishment of proposed tasks"

According to Kombate (2017), the use of results control in SMEs is very traditional and based on financial statements, focusing more on financial measures and on the budget, than on non-financial measures. Also, the performance evaluation is usually informal and short-term oriented and the formal review system not very present. However, in this company the results control play an important role and *Sigma* is trying to improve its PMS. The measures used in the PMS are both financial and non-financial and KPIs are measured with a lot of frequency. Although they use several financial measures, non-financial are also essential in the organisation since they measure the real potential of the firm. In the PM process, the management always gives feedback to employees and there are many information exchanges through management and employees, contradicting the literature. This can be explained due to the vast work experience acquired by the management before starting to work at *Sigma*. Due to having worked in other companies, in many cases big and developed companies in terms of MCS, they can have another point of view on this topic. Since they aren't inexperienced, they try to apply their knowledge in *Sigma*.

4.2.2 Administrative Controls

As we can check in the Appendix, at the top of the company we have the CEO, that founded the company. Below, there is the Purchasing and Business Developer Manager, aligned with the Financial and HR Manager. This last manager has the responsibility to: control and coordinate administrative and financial area; account the different companies; control and compliance the fiscal obligation; perform financial analysis of the company; manage the treasury; direct contact and negotiate with the different bank institutions; execute client collections and control payment and receipt deadlines; negotiate payment conditions; definite internal control procedures and perform tasks of HR management. By competency of this manager, we can find two administrative, being one of them more focused on the logistic topics. Lastly, we have a designer and a marketeer.

In *Sigma* tasks are distributed according to the role of the employee in the company. However, due to the reduced number of employees, multipurpose is constant. CEO stated that when he is out of the office due to a business trip, who stays in charge is the Financial and HR Manager or the Purchasing and Business Developer Manager. The work is always done physically in the company's office, being home office allowed only in certain exceptional situations.

Regarding a formal boundary system, like a code of conduct, such doesn't exist in this company. The off-limits behaviours are punished, in the limit, with a disciplinary process with the possibility of dismissal.

“There aren't many formal rules implemented in our company. Each person's behaviour is based on common sense, mutual respect and in the fulfilment of commitment that they accepted with the company”.

In line with the findings of Pešalj et al. (2018) and Halale (2011), the company as an SME doesn't have a formal or well-established administrative system, like a code of conduct or ethics, it's only the bare minimum. The management heavily rely on the fact that their employees will act with mutual respect to them and to the company. They only punish behaviours that are too much off-limit and punishments don't follow any pattern. Since the environment is informal and they all get along with each other, CEO trust in his employees and doesn't feel the need to implement a strict code of conduct or specific rules.

Given the reduced dimension of the company, the division of responsibilities and resource allocation are not precise, there is very present a sense that “everyone can do anything”, mostly when it concerns to the two administrative. Nevertheless, the business operation is not only entire responsibility of owner-manager since the management counts also with Financial and HR Manager and with Purchasing and Business Developer Manager. Again, the trust CEO has in their employees play an important role, otherwise he would assume most of important responsibilities.

4.2.3 Interactive controls

The company didn't attribute much value to this type of control compared to other ones. They used some systems to build and record data, like a simple management support software, Power BI and Excel but they didn't used BSC or strategy map. However, they give feedback to their employees and the financial statements are reliable.

According to Halale (2011), SMEs sometimes lack formal feedback and place less emphasis on their data/information to build and strengthen their plans. Also, SMEs don't have authentic information in their record system neither 100% reliable financial statements. The fact that this is a company with only 6 employees, CEO can think that they only need a simple information system. Besides, a solid information system is not cheap, and as this is a small company, a big investment in this type of system may not be the best option. Still, they use feedback as a communication tool, which can be derived from the informal and open environment of the company and the trust among its members. Analysing the financial statements such as the financial report, I can also confirm that they are reliable, including the balance sheet, cash flows, income statement and a brief explanation of all elements of the balance sheet.

4.2.4 Personnel Controls

To hire a new employee, the HR manager uses different channels to reach candidates: places job ads on LinkedIn, on specific sites for the function they are hiring and on universities' websites, place ads on city job centres and spread the job opportunity among the network of the company (clients and/or supplier). Three employees of the company were

informed of the job opportunity by mutual friends/contacts, one employee found on LinkedIn and another one found on a city Job Centre. In the job announcement are already defined the requisites the candidate must fulfil.

As mentioned above by the CEO, during the recruitment process of each element, mainly based on interviews, are communicated the company values, and one of the decision factors in this process is to understand if the applicant matches these values.

“In the recruitment process of each element, there are communicated the values of the company. One of the decision factors is understanding if applicant is aligned with those values”

After an employee is hired, older and more experienced members provide training sessions to the new one. In the specific case of the Designer and Marketeer, the CEO also communicates the general guidelines of what it's pretended for the company and previous works made by other designers/marketeers for the company. *Sigma* thinks that fast integration, at professional and personal levels, is an essential concern. CEO is worried with promoting self-monitoring and with providing training actions for his employees.

The company has a reduced need of hiring employees because only has 7 different functions, and some of the employees view their job at the company in the long term. This way, the hiring process is simple, based on an interview with the CEO, that prefers to use more informal forms to find candidates, since 3/5 of the employees interviewed, found the job opportunity through mutual friends, confirming the informality of the hiring process mentioned by Halale (2011). The initial training is also simple and done by an older member of the company, but CEO affirms that some formal training actions can happen if needed. Since it's a small company, the job functions may not be sufficiently complex to be constantly hiring external trainers. Given the trust CEO has in their employees, he gives them the independence to raise their potential (Halale, 2011).

4.2.5 Cultural Controls

The company was founded in the late 90's with the objective of being a reference player in exporting food and non-food products to a specific market. Since its creation, the company established commercial relation with several producers, Portuguese, and foreign ones, acquiring a strong and dynamic partners' network, with capacity of fulfilling the market

needs. The company purposes to offer these top brands to its customers, at accessible prices, helping their sales growing in a sustainable and secure way, respecting their values and positioning every time. Besides the already existing relationships with solid, relevant, and historical operators in the market that are from *Sigma's* economic group, the company aims to work closely and together with their partners, which has contributed to the introduction, affirmation, and consolidation of different brands in the market they operate.

It is of equal importance to highlight that *Sigma* does not only act as an intermediary through producers and clients, but also creates and implements multiple times marketing strategies for the commercialized products. The company, using its know-how and ability to create new effective partnerships, wants to represent the best brands in the market, taking them to every channel in which operates, enabling an extend and fair offer. As mentioned in the company's management report, their activity is based on a philosophy of big support to the client, because if they don't have capacity to sell, the company itself also doesn't sell. So, the company took several initiatives to help their clients, being one of the examples the payments in the currency used in the African market where *Sigma* operates, and not in Euros, for clients with higher level of debt. This vision is not only the company vision, but also a personal objective of the CEO for the company. The vision is pretended to be achieved through continuous monitoring of the market.

“It also should be noted that the company's activities are not limited to the mere intermediation of products. Instead, embrace many times the definition and implementation of marketing strategies for the products sold.”

The main values of *Sigma* are, in CEO's words, integrity, proximity, focus on the client, results and success sharing, motivation, and passion for their work. These principles and values are present at a daily basis on the company and allow them to create solid relationships with clients and suppliers that surpass a simple commercial operation of buying and selling products, giving them trust for together develop successful partnerships. According to the CEO, the company values are already communicated at an early stage to the employees.

According to employees, the most important values are commitment, responsibility, integrity, professionalism, the importance of teamwork, respect for the team, clients and partners, recognition, and empathy. The company aims to be an expert and works with

method, delimiting proper and clear KPIs so employees can be motivated to achieve them, always with an oriented vision for the results and to always perform better than yesterday. For *Sigma*, it's important to have a clear and open-minded vision of the future, stimulating people to work happily, with pleasure and make them feel as the company also belongs to them. Managers encourage and stimulate teamwork to develop new skills and improve personal performance.

“Some behaviours and values I consider as part of the organisation is the need of stimulating people to work happy, with pleasure and as if the company was our own, encouraging people to develop skills to improve personal performance and delimitate proper and clear KPIs so people can be motivated to achieve them”

The company is supposed to have a more casual environment, without big hierarchical barriers, being the employees' integration performed under this proposal. The CEO motivates his employees being with a good mood, providing training sessions that improve employees' personal and professional development, and with alerts to create a professional conscience to perform activities well and want to do it that way. With this, employees comply with the commitment they did when entered the company.

The cultural controls are broadly used, and the company since the beginning guides individuals by their values, confirming characteristics mentioned by Pešalj et al. (2018). When hiring someone, they consider if the person fulfils the company values, and these seemed to be well communicated and assimilated by the employees. Since the company is small and with an informal and friendly environment, the objective of the CEO is to hire someone in the long-term and not to stay only one year and leave the company. This way, he must clearly communicate the company values and be sure the employees are aligned with them. To maintain the good work environment, management is accessible to exchange information, generating an open culture.

The core values are essential to the functioning of the company since they rule the relationships with suppliers and clients based on them. They are a small company that sells only to one market, so it's indispensable that they maintain a good relationship with their clients and keep them satisfied (Halale, 2011; Pešalj et al., 2018).

4.2.6 Strategy and Plan

Sigma follows a formal strategic plan for more than 1 year, and in the last quarter of each year it is done a budget for the next year where are established the goals to accomplish. At the end of the year, CEO compares the results to what was previously established in the budget, and if discrepancies are high, he considers adapting their strategy.

“In addition to multiannual plans, in the last quarter of the year is made a budget with the goals to achieve in the next year”

In the management report of each year, it is detailed how it was the activity of the company during the year. They describe the external environment and events that happened, in what way they affected the company, how can the threats be overcome, and a prediction of what can be their next year.

The CEO mentioned that they usually monitor the market continuously. On one hand, this helps understand at every moment the needs of the end customer, future tendencies, the behaviour of the competitor’s brands and the possible entry of new players in the market. On other hand, the follow-up of the brand’s performance in the market and the constant concern with the sell-in and with sell-out, are essential to evaluate what actions are being correctly done and the ones that they must correct. However, this market monitoring is done by themselves, they don’t usually appeal to external consultants. The constant exchange of information with clients and suppliers to accomplish an objective alignment, it’s an essential piece in the mechanic of their activity. Lastly, considering the peculiarities of the market they operate, the existence of local consistent stocks, is a critical success factor, an area to which they pay particular attention.

Overall, the control and tools developed over time, and the objective is to use them even more and implement new ways of reducing failures/mistakes. According to Purchasing and Business Developer Manager, the MCS have a great impact on the company’s performance and help them to guide action into goals. Continuous improvement is part of the company culture, so the MCS and the monitoring of company activity have been continuously refined. More and better information are essential elements to improve company’s responsiveness to the daily challenges, to enable management designing the future and to, in sum, make better decisions. For this company more control and more information mean a better performance.

Halale (2011) and Sriwidadi (2012), agreed that SMEs don't usually follow a formal long-term strategy and that they are not aware of the dynamics of the environment. This company though, follows a formal strategy for more than 1 year focusing on long-term priorities. Furthermore, at the end of the year, the results are compared to the previously established values on the budget and if they don't match, the CEO can adapt the strategy, which involves different types of control. They are also aware of opportunities and threats since they monitor the market continuously, which can facilitate the anticipation of future unfavourable situations. The strategy is completely aligned with their values and supported by the PMS, as we can verify in the management report, where are detailed some actions in favour of a good relationship with clients and suppliers.

Once again, the good planning and strategy enforcement by the company, can be due to the vast experience they have in the market and the management itself. As they operate in the same market for more than 20 years, they are already aware of some threats and how to surpass them. Even though the world is in a constant change, there are threats that remain stable in the environment, and the management is conscious of that. Also, because of their professional experience they know how to formulate a formal strategy and implement it.

To conclude this chapter, I present a table that resumes if the MC dimension in this company it's according to what literature suggested, and a brief explanation.

MC Dimension	In accordance with the Literature?	Theoretical Explanation
Results Controls	No, in most aspects.	Contrary to Kombate (2017), results control and PMS is widely used, and KPIs are both financial and non-financial, being measured with frequency. The PMS is developed with long-term objectives, including feedback and information exchange. This is explained due to the professional experience of management acquired before working at <i>Sigma</i> .
Administrative Controls	Yes, in almost all aspects.	<i>Sigma</i> doesn't have a formal or well-established administrative system, like a code of conduct or ethics. The management relies on self-monitoring and only punish behaviours that are strongly off-limit. The division of responsibilities and resource allocation are not precise (Pešalj et al., 2018; Halale, 2011). The only aspect differing to the literature is that the management is shared with two other employees and not only responsibility of the owner-manager.
Interactive Controls	Yes, in almost all aspects.	<i>Sigma</i> lacks a solid information system and gives low emphasis on their data to build their plans (Halale, 2011). However, they give importance to the feedback, which can be derived from the informal, open, and trustable environment of the company. Furthermore, the company has reliable financial information and statements, due to the professional experience of the members.
Personnel Controls	Yes	Since the company has a reduced need of hiring, the hiring process is simple and informal, as mentioned by Halale (2011). The training is simple, and CEO gives

		independence to employees to raise their potential, encouraging self-monitoring (Halale, 2011).
Cultural Controls	Yes	These controls are largely used and since the moment employees are recruited, they are guided by company's values, as mentioned by Pešalj et al. (2018). The environment is informal and friendly, and management is accessible. <i>Sigma</i> considers the core values essential to maintain their good relationships with the clients and suppliers and to keep them satisfied (Halale, 2011; Pešalj et al., 2018).
Strategy and Plan	No	Contrary to what Halale (2011) and Sriwidadi (2012) mentioned in their studies, <i>Sigma</i> follows a formal strategy focusing on long-term priorities and comparing yearly results to the previously established values on the budget. They monitor the market, are aware of threats and the strategy is completely aligned with their values and supported by the PMS. This difference comparing to what literature suggested, can be explained by the vast experience they have in the market, since they are operating there for more than 20 years, and by the professional experience of the management itself.

Table 3 MC Dimensions in *Sigma*

5. Conclusion

Over the present research, I analysed several characteristics of MCS in SMEs, based on the literature already existing. Through the case study I tried to verify if the MCS' characteristics some authors pointed out, existed in the organisation studied. I analysed documents and made interviews to reach out to conclusions.

Some of the MCS dimensions have characteristics very similar to the ones already stated in the literature. For example, as expected after doing the literature review on this topic, the cultural controls play a very important role in the organisation studied, since they guide their activity internally and externally based on their values, mission, and vision. Additionally, personnel controls were also as expected: the hiring process is simple and informal, and the job training is only the minimum. The interactive controls were poorly developed, which is not surprising since small firms due to their reduced dimension, may opt to not make a big investment in a complex information system, just like the administrative controls, that due to the very reduced number of employees and high level of trust, were low. The fact that there are many similarities to the literature regarding these 4 types of control, reinforces the idea that informal controls are normally important in SME.

However, there are certain differences that can indicate an increasingly usage of more formal controls, like the results control and the strategy and plan. Regarding the results control, these were more developed in the company than what believed according to the literature: the company has a PMS not so informal, with specific and well communicated aspects of evaluation, solid financial and non-financial KPIs monitored with frequency, and provides feedback. These differences can be explained due to the vast work experience *Sigma's* management have before working there, which makes them apply their knowledge in the actual functions. Concerning the strategy and plan, the company follows a formal and long-term strategy aligned with its values and is very aware of the state of the external environment. This good planning can be explained by the professional experience of the members, but also by the fact that they are operating in the same market for more than 20 years, and they have learned about the threats and opportunities.

It can be concluded from the research that the professional experience and specific characteristics of each employee belonging to a SME can impact the way organisation operates and uses the MCS, that can be more formal or informal, impacting consequently the success of the organisation itself. The second conclusion is that the application and use of MCS can be more efficient if the organisation is not in its initial stage and has been operating in the same market for years. It is also worth noting that an informal and open environment in a company and high level of trust among its members, play an important role in employing more informal mechanisms.

The present research, as any other case study, is subject to limitations that difficult the extension of the conclusions obtained to other SMEs. Firstly, this case study only analysed one company. Secondly, when I've performed the interviews, the company was looking for a new marketeer, so I couldn't obtain the point of view of the person who usually occupies that position. Additionally, I've done the data collection during the summer which made it difficult to contact with some of the employees and impossible to use the direct observation to collect information on what is the daily functioning of the company. This is because some employees weren't present in the office physically and only made themselves available to being interviewed by a video call.

For future research, I want to suggest searching for similar SMEs to better confirm the results. For example, related to my research I could perform a case study on 3 or 4 SMEs with similar characteristics, like operating in the same market for many years, not being in the early stage of their lives, and with an experienced management. To extend these conclusions to all types of SMEs, research like this can be performed also in companies with different characteristics.

6. APPENDIX

Main Interview - CEO

1. What is the mission of the company?
2. What are the behaviours and values that you consider part of the culture? What is the importance of these values for the company?
3. What is your vision for the company? Do you have any personal objectives for the company?
4. How do you communicate the mission and vision of the company to employees?
5. How do you intend to achieve the company vision?
6. Do you have any organisation chart? If not, could you please describe how your company is organized in terms of functions/departments?
7. How many employees there are, and they are in the company for how long?
8. How would you describe the hiring process? You usually post an ad with the job (e.g., on LinkedIn) or is more like “spread the word”? What are the pre-requisites that you look for when hiring?
9. Does it exist any job training? What are your main worries when you have a newcomer?
10. How do you motivate your employees?
11. How many days per week are you in the office? Does exist the possibility of staying in home office?
12. When you are on business trips who stays as “responsible”? Or there is no need for that?
13. How are tasks distributed among employees?
14. The MCS are mainly formal or informal?
15. What are the most used KPIs? How are they measured and with what frequency? Do you use any financial measures?
16. Do you have any performance measurement systems? What are the evaluated aspects and how they are communicated? How are they evaluated and with what frequency?
17. Do you give feedback to your employees after performance measurement? What is its importance?

18. Does management exchange information with the other employees? There are meetings?
19. Do you have any reward system? Do employees have wage increases according to their performance?
20. Who controls that tasks are performed correctly? Do you think there is a big need for that? In what areas of company control is less needed?
21. Do you have any formal boundary system? For example, standards of ethical behaviour or codes of conduct.
22. How do you punish behaviour that is off-limits?
23. Do you have any information system to help management? (E.g., ERP)
24. Do you follow a formal strategic plan? Are you aware of threats and opportunities in the environment you operate? Do you usually perform bench marking?
25. Do you think management controls in your company developed over time? In the beginning, did you use less or more than now? Do you think they have overall positive impact on company performance?

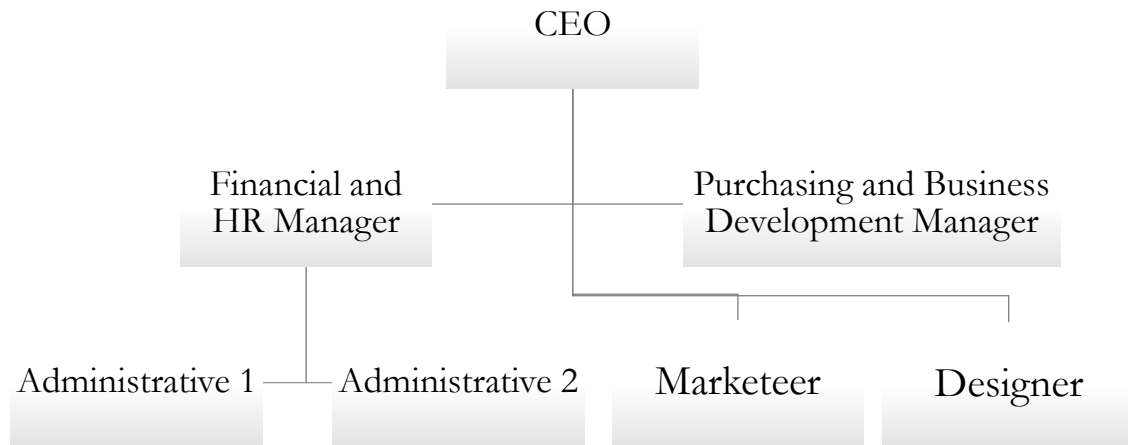
Interview to Purchasing and Business Developer Manager and Financial and RH manager

1. What is your role in the company? For how long are you in the company?
2. How was your hiring process? How did you find this job?
3. What behaviours, attitudes and values do you consider as part of the organisation?
What do you think are the most important?
4. Do you know clearly what are your KPIs?
5. Do you think controls are more formal or informal?
6. Do you think management controls in the company developed over time? In the beginning, did you use less or more than now? Do you think they have an overall positive impact on company performance?

Interview to Administrative, Designer and Marketeer

1. What is your role in the company? For how long are you in the company?
2. How was your hiring process? How did you find this job?
3. Did you have any job training?
4. What behaviours, attitudes and values do you consider as part of the organisation?
What do you think are the most important?
5. Do you know clearly what are your KPIs?
6. Do you feel controlled/monitored by the company?
7. Do you think controls are more formal or informal?
8. Do you know what aspects of your performance are evaluated?
9. Do you receive feedback of your work from the managers? Do you think it's easy to exchange information with them?

Organisation Chart



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