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Title¹

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Abstract

Recent research emphasizes technocratic controls to support the self-management aspect of empowerment. Strategic alignment is ascribed to socio-ideological controls. However, the indirect nature of socio-ideological controls pose a question regarding monitoring of strategic alignment in organizations with empowerment-oriented controls. We adopt a holistic approach in exploring the role of and interaction between organization structure, socio-ideological control and technocratic control through a qualitative case study. Our study confirms the essential role of socio-ideological controls in ensuring strategic alignment, but highlights the role of trust in experienced-based advice-giving from superiors to subordinates. Technocratic controls contain information that provide visibility of local actions and are used in hierarchical communication. The interrelationship between socio-ideological and technocratic controls is dependent on the organization structure design through time and proximity. A high capacity to communicate is thereby established, enabling monitoring without impairing empowerment.

Key words

Strategic alignment, empowerment, management control, socio-ideological control, technocratic control, capacity to communicate.

¹ This submission was handled by associate editor professor Inger Johanne Petersen.

Introduction

Management control is traditionally characterized as a top-down activity that uses a cybernetic process of planning and measuring performance for taking corrective action (Merchant and Otley, 2007). Implementation of strategy is at the core of this activity. Traditionally in decentralized settings, monitoring strategic alignment (i.e., compliance with strategic plans and targets) has primarily been restricted to management controls such as results control (Goold and Campbell, 1997).

However, the traditional technocratic way to control in decentralized settings has been questioned and alternative approaches have been suggested over the years (Hofstede, 1978; Otley, 1980). More recently, these approaches have gained additional support because of increasing complexity and constant changes in business life (Chenhall, 2008; Frow et al., 2010; Fullerton et al., 2013; Kennedy and Widener, 2008). In these business environments it is problematic to establish targets that are valid for a full period, to measure performance on all performance dimensions and to identify single co-workers' and separate organizational units' performance (Hansen et al., 2003). These problems have paved the way for alternative control ideas which, more or less, are based on the idea of empowerment, but also trust, competence, continuous improvement and cooperation (Chenhall, 2008; Ferreira and Otley, 2009). Control should not hinder employees from independent problem analysis and developing appropriate action plans.

Traditional technocratic controls have been seen as a threat to empowerment since they signal distrust, do not give relevant information for local decision making and disincentive cooperation (Hope and Fraser, 2003; Johnson, 2007). Instead, it is suggested that technocratic controls should be redesigned to support empowered employees' self-management by providing information (Ahrens and Chapman, 2004; Kalagnanam and Lindsay, 1998; Kennedy and Widener, 2008), e.g., through non-financial measures (Fullerton and McWatters, 2002), benchmarking information (Wallander, 1999) or supportive standardization of work processes (Kennedy and Widener, 2008), but their role in monitoring strategic alignment is reduced.

However, in the last ten years, accounting researchers have emphasized that the control process must include both support of empowerment *and* monitoring of strategic alignment (Ahrens and Chapman,

2004; Frow et al., 2010; Malmi and Brown, 2008; Mundy, 2010). Employees need to be active decision makers in consideration of both local information and strategic intentions (Adler, 2011; Chenhall, 2003). Previous research shows that organizations – where technocratic control is devoted to support empowerment – use socio-ideological controls (normative, people, clan and aspirational control and belief systems etc.) to ensure strategic alignment. By communicating the core ideas of the organization, employees are guided in their decentralized decision-making (Hope and Fraser, 2003) and by using HRM-practices, employees' thinking and acting in the organization is influenced (Alvesson and Kärreman, 2007; Bergström et al., 2009). However, even if socio-ideological controls provide guidance, their indirect controlling character means they do not provide the means for superior managers to monitor strategic alignment.

It is interesting therefore that recent research indicates that it is possible to combine technocratic and socio-ideological controls to achieve both empowerment and strategic alignment (Mundy, 2010; Frow et al, 2010). Mundy (2010) identifies several features of the control system necessary for finding a balance between the seemingly inconsistent aims. Frow et al (2010) show how empowerment and strategic alignment is achieved when budget targets are used flexibly with guidance from socio-ideological controls. These studies show that multiple controls are needed to balance empowerment and monitoring of strategic alignment. The gap in the literature addressed in this paper is how empowerment-oriented technocratic controls (technocratic controls designed to enable self-management) can have a role in monitoring strategic alignment. Socio-ideological controls and empowerment-oriented technocratic controls have a prominent position in the contemporary debate on management control, but we lack studies that uncover the processes of monitoring strategic alignment in this setting. By this, we complement the literature that characterizes strategic alignment as a mainly trust-based issue in organizations with empowerment-oriented controls (e.g., Hope and Fraser, 2003).

Moreover, besides technocratic and socio-ideological controls, several researchers have argued that organization structure is a core part of the management control system (Malmi and Brown, 2008; Otley, 1980; Mundy, 2010). For instance, Simons (1995) argues that the organization structure would be expected to have an important role in intra-organizational communication. However, few attempts have been made

to unravel the interrelations between the organization structure and socio-ideological and technocratic controls (Adler, 2011). Consequently, our research question is how organizational structure, empowerment-oriented technocratic controls and socio-ideological controls interact in monitoring strategic alignment in decentralized organizations.

Empirically, this paper is based on a qualitative case study of the Swedish bank, Svenska Handelsbanken (SHB), an organization that has been studied many times by management control researchers and others. SHB is a blue-print organization to literature on Beyond Budgeting, a concept which is claimed to be based on radical decentralization and an untraditional use of formal controls (Hope and Fraser, 2003).

In the next section, we present our conceptual framework and the existing body of knowledge about relationships between different control elements. We then present our methodology section followed by an empirical section in which we present our interpretation of the control system at SHB and describe how it supports both alignment and empowerment. In the penultimate section we discuss our findings and in the last section we present our conclusions.

Management control systems for decentralized organizations

Following the seminal article by Otley (1980), nowadays many management accounting and control researchers caution against reductionist (Cartesian) studies (see e.g., Chenhall, 2003; Chenhall and Langfield-Smith, 1998; Cäker and Siverbo, 2011; Gerdin and Greve, 2004; Johansson and Siverbo, 2011; Malmi and Brown, 2008; Otley, 1980). The core argument is that the research on how single accounting or control devices affect organizations is at best incomplete and at worst misleading. Their reasoning is that the efficacy of single control devices may depend on what additional devices they are combined with. A holistic perspective is necessary to understand and explain the effects of management controls. Responding to these insights, we apply a broad perspective on management control systems, including *organization structure*, *socio-ideological control* and *technocratic control*. Some controls related to these broad categories may ensure that central intentions are followed and others might make it easier for employees to act in local conditions. However, also the interactions between these different controls are important to study since the behavioral effect of one control may be strengthened or neutralized by another.

Three core controls in management control systems

Organization structure is a formal regulation of division of work and chain of command and communication. The organizational structure thereby influences what members of organizations do and who they communicate with. Since it is a device top management uses to influence behavior, it is an important part of the management control system (Adler, 2011; Ferreira and Otley, 2009). The balance between centralization and decentralization concerns at what hierarchical level the formal authority to make decisions lies, which is an issue emphasized in the literature. We understand these terms in the way that Cummings (1995) sees as a classic interpretation: “The term *centralized* indicates that authority to make important decisions lies towards the ‘head’ or center of an organization, while conversely *decentralization* implies more autonomy, whereby authority is vested in those further removed from the centre” (Cummings, 1995, p. 103). Decentralization is expected to contribute to the influence of local information on decisions and to enhance empowerment, while strategic alignment regarding compliance with strategic plans could suffer from decentralization. In our study of how strategic alignment is upheld in decentralized organizations, we pay attention to how other aspects of organization structure, such as span of control, liaison devices and organization of support function (Ferreira and Otley, 2009; Mintzberg, 1983), may enable decentralized decision-making to be strategically aligned.

Technocratic controls are directly aimed at specifying what should be done or what should be achieved, which is commonly done with e.g. rules, procedures, standards, budgets, performance measures and reward systems. Technocratic controls are closely related to the more commonly used constructs action controls and results controls (Merchant and Van der Stede, 2007). Action controls communicate what should be done and has the potential to create a uniform and aligned organization. Result controls ensure alignment through communicating what should be accomplished.

A common view is that the traditional way to use technocratic controls may undermine empowerment (Johnson, 2007; Merchant and Van der Stede, 2007; see also Chenhall, 2008). When technocratic controls are used for top-down control at a distance with special emphasis on evaluation of employee behavior, there is a risk that employees are demotivated rather than empowered and that dysfunctional behavior is

stimulated (Merchant and Van der Stede, 2007). To avoid unintended consequences these controls should be designed to provide decision-relevant information that enable self-management, but they should not explicitly be connected to performance evaluation (Kennedy & Widener, 2008). While this supports empowerment, it means that the role for technocratic control in monitoring strategic alignment is reduced.

Socio-ideological controls affect organizational behavior in a less direct way (Alvesson and Kärreman, 2004; Jaeger and Baliga, 1985). The basic ingredients are social relations, identity formation and ideology (Alvesson & Kärreman, 2004). These ingredients are associated with self-control, cultural norms, professional norms, peer pressure and ad-hoc interaction with managers (Jaeger and Baliga, 1985; Jaworski, 1988). Previous research indicates that socio-ideological controls help senior management to control behavior while still maintaining a sense of decentralized authority among operative managers (Bergström et al., 2009). From a top management perspective decentralization would be no threat to strategic alignment if managers' decisions are controlled by other means. For example, Mintzberg (1983) comments on decentralized authority as a potential chimera after many years of in-house training and strong indoctrination of operative managers. Alvesson & Kärreman (2007) point to how human resources management (HRM) activities potentially control behavior. Large investments in training programs, recruitment activities, and evaluation and promotion processes, may assist companies in building and sustaining shared values and beliefs that keep the behavior strategically aligned. Alvesson and Kärreman (2007) claim HRM activities have a broader purpose than merely ensuring that employees have the right skills and are properly compensated. These activities have a controlling purpose in influencing how people think and act in organizations. In particular, they put forward aspirational control, tying an individual's interest in a future career to an organizational identity. As such, they are part of the socio-ideological controls and have potential to create strategic alignment.

Technocratic and socio-ideological controls are differentiated by how directly they relate to the desired behavior. While socio-ideological controls sometimes are less precise about agent expectations than technocratic controls, it is claimed they can manage greater complexity (Ouchi, 1979). Instead of specifying what actions to take, core organizational ideas establish what behaviors are appreciated, which directs and facilitates decision-making in certain situations.

Interactions between controls in management control systems

To understand control processes in organizations, we need to pay attention to interfaces and interactions between various controls (Alvesson and Kärreman, 2004; Bergström et al., 2009; Frow et al., 2010; Kennedy and Widener, 2008). The common view in research is that socio-ideological controls complement or substitute technocratic controls. In situations when technocratic controls are inappropriate or impossible, socio-ideological control is a substitute (Ouchi, 1979; Merchant and Van der Stede, 2007) and when technocratic controls are incomplete, they may be complemented by various forms of socio-ideological controls (Cäker, 2008).

An example of the latter is provided by Mundy (2010). Mundy (2010) notes that operative managers can be empowered and at the same time aligned with the company strategy if top management uses the control system in a balanced manner and avoids confusing messages to managers and employees. However, by tradition organizations often give primacy to a specific control (e.g., results control) which creates unbalance in the system (e.g., lack of long term focus). The ambition to ensure both employee empowerment and strategic alignment may cause dynamic tensions, which in Mundy's view are positive in the sense that they stimulate the development of new organizational capabilities.

Another way to achieve balance between empowerment and strategic alignment is through the use of technocratic controls in a flexible way under the influence of organizational core ideas (socio-ideological control). Frow et al (2010) show that formal budgetary control, also in uncertain and competitive environments, may both direct employees towards organizational objectives and keep employees empowered to achieve financial discipline and flexibility. However, also more complex interfaces between technocratic and socio-ideological controls have been reported in research. Socio-ideological controls may be more than mere complements to technocratic controls. They can counterbalance the potential negative effect of focusing only on rules and measurable results targets (Cäker and Siverbo, 2011; Langfield-Smith, 2008). The complex interaction is shown by Alvesson and Kärreman (2004) whose study of a global management consultancy firm displays intriguing links between various controls and employees' willingness to make sacrifices. Alvesson and Kärreman (2004) claim that the high level of compliance (and employee subordination) in their case firm should not be interpreted as a triumph of technocratic

controls. Rather, compliance was connected to socio-ideological controls in the shape of career opportunities, meritocracy, elite ideology and emphasis on titles and promotion speed. However, at the same time these socio-ideological controls were decisive in how technocratic controls were interpreted. Although Alvesson and Kärreman (2004) claim that the interface between socio-ideological controls and technocratic controls makes it difficult to keep them analytically separate, their interpretation seems to be that in absence of socio-ideological controls, technocratic controls would not have accomplished much. Socio-ideological controls make employees receptive to technocratic controls.

Moreover, previous research indicates that the interaction between socio-ideological and technocratic controls is associated with the organization structure. Simons (2005) points out that in a complex environment, we can expect that employees will have to balance incompatible demands. For some this might be frustrating and demotivating but for others this semi-confusion triggers action (Hedberg and Jönsson, 1978). Simons (2005) claims that the span of support is a key ingredient here. In situations where employees perceive a lack of resources to handle demands, organizational processes must be in place to help employees to interpret how to act. To this end, the organizational structure is potentially important, that is, the span of control, the capacity in support functions and the liaison functions.

The studies above seem to assume that socio-ideological controls are “in place”, supporting a specific interpretation of technocratic controls. Research on sales control, however, instead shows that action controls can support employees in aligning with the long term ambitions of the organization (Anderson and Oliver, 1987) through relieving employees from uncertainty and decision-making (cf. Anderson and Oliver, 1987; Cravens et al., 1993; Oliver and Anderson, 1994). Socio-ideological and technocratic controls have been shown to be potentially interrelated and mutually supportive. One-sided influence between controls is problematic to identify.

Summing up, in our case study we use the concepts organization structure, technocratic controls and socio-ideological controls in our interpretation of the process of ensuring strategic alignment in a decentralized organization with empowerment-oriented technocratic controls. In the next section, we provide a description of our methodological approach and our case.

Method and methodological considerations

As mentioned above, our empirical material consists of a case study of Svenska Handelsbanken (SHB). SHB is an international bank, with presence in 24 countries. Sweden, the focus of this study, is the main market, but the bank has significant market positions in four additional countries. SHB is studied with an interpretive approach since it enables us to show how the control process is socially constructed and sustained through norms and daily activities (Alvesson and Deetz, 2000). As recommended in interpretative research, our conceptual framework was chosen in an iterative process involving empirical data, interpretations and alternative frameworks (c.f. Alvesson and Deetz, 2000). The resulting framework is expected to be a fruitful base for continued interpretations about the relationships between the concepts. In a similar vein, the cited body of knowledge about the relationships between control elements is not used as a “strong” and limiting theory but as a source of inspiration to be developed by our interpretation.

Our case study of SHB includes both the perspective of those who manage (central and regional level managers) and of those who are managed (branch managers and subordinates). We align our study with research that seeks to contribute to improved functionality of management control, based on interpretative research (Ahrens and Chapman, 2006). This is done by theorizing on the experiences we make. A holistic approach is important to us as we aim to theorize on potential relations between different controls. However, our discussion is delimited by our interest in control for strategic alignment, which is only one of many possible perspectives (De Loo and Lowe, 2012). Our process of choosing and emphasizing aspects that are in line with our interest makes it possible that other accounts of SHB would be different from ours. This however does not relieve us from the duty of making our story credible to the reader.

The data consist of interviews with 21 actors on all levels and positions at the bank (see the Appendix) and of secondary material such as annual reports and texts on SHB by the legendary CEO, Jan Wallander, and by others. The main part of the interviews was conducted by one of the authors. The rest of the interviews were conducted by the project leader for the research project of which this study is a part.

The interviews were conducted in two regions (out of six in Sweden), the West and South regions. The respondents in the South region were chosen by SHB so as to represent both country and city branches.. The first interviews were made at the regional level. From these interviews, among other things, we got information about branches that respondents saw as functioning as “they should”. Our question about well-functioning branches, however, was met with some surprise by the region managers since they were of the opinion that all branches functioned as they should. Still, our interpretations are based on respondents that were seen as role models. We did find high consistency in the perceptions among our respondents at both regional and branch levels in the South. In the West, which we approached later in the research process, we asked for and received access to a specific branch. The two interviews showed high consistency with earlier interviews and with our expectations. In fact, we obtained very few new insights from the later interviews.

Our interest in monitoring strategic alignment arose already in the first readings of transcripts from interviews with top managers. These indicated a strong conviction that SHB is an organization under intensive control, much more intensive than we would have expected in an organization that claimed to be highly decentralized. We decided to explore this while retaining our intention to be open-minded in the subsequent mapping of the control system (cf, Alvesson and Deetz, 2000; Silverman, 2001). However, also later interviews confirmed the impression of an organization very much in control, and yet the respondents generally displayed a strong sense of freedom and there is convincing evidence of local decision-making authority (according to the annual report 2009, 94 per cent of credit loans are approved at the branch level).

The empirical section is the result of our ‘first’ interpretation, which is the encounter and iteration between our conceptual framework, the subjects’ perceptions of the SHB control system and our own interpretations. Since all the empirical material is infused with theory and interpretations and nothing is left to speak for itself (Alvesson and Deetz, 2000; Silverman, 2001), no attempt is made here to give a raw account of data. Our second interpretation is developed in the discussion section, which deals with how different control elements relate to each other and how this insight adds to previous knowledge. We take the opportunity afforded by interpretative research to challenge conventional ideas of how control

elements relate to each other (Alvesson and Deetz, 2000) and show how the interconnectedness of the SHB controls makes it possible to use technocratic controls to monitor strategic alignment without undermining empowerment.

The SHB control system

Handelsbanken [SHB] is a Swedish full-service bank that presents itself as decentralized with a strong local presence (approximately 450 branches in Sweden) and a long-term approach to customer relations. The goal is to be the most profitable bank in every home market they act on and to have more satisfied customers than their competitors. For the last 40 years, almost without exception, the goals have been reached, and the bank has avoided government support in two economic crises, unlike most Swedish competitors. In their own opinion, decentralization and the reliance on empowered employees are at the core of this success.

“The bank is decentralized in its way of working and that means a strong faith in the employees’ willingness and ability to take responsibility.” (Annual Report, 2009)

The importance of having operative employees that take responsibility is emphasized in the Bank. The core aspect of “decentralization” at the SHB appears to be that everyone should take, and be allowed to have, full responsibility for everything they do. An example is responsibility for the customers. If the head office of a major customer is located close to a small local branch of SHB, then one of the employees at the local branch will be responsible for this customer. If a single credit decision concerns a large credit, this requires the approval of higher hierarchical levels. Still, the decision is based on the information provided by the responsible credit assessor at the branch. Furthermore, if the first decision of the person responsible is “this credit shall not be granted” then this is the final decision. Employees and managers are convinced that in SHB, the responsibility of each individual employee is greater than in comparable banks.

The decentralization principle concerns managers for local branches as well as managers for regional banks. At both levels, the intention is that managers feel they are running their own banks in terms of having full responsibility for their own performance.

We can influence everything ourselves. Should our CEO in Stockholm say that now we should do something like this, I would not have liked that. No one in Stockholm should decide what is a good market in our little town". [Branch Manager, South]

When it comes to instructions from the central administration, a credit assessor in region South gives a typical comment:

"Of course, they send signals, in newsletters or through our manager, about things we need to be aware of, but they never give orders, it does not feel like that. At least, we get the feeling that we have a mandate to decide for ourselves". [Credit Assessor, South]

The decentralization notion is said to have been at the core since the early 1970s. The bank had gone through a crisis, which enabled the newly appointed CEO, Jan Wallander, to make drastic changes to the bank. For example, the strategy changed from product driven to customer driven and the budget was no longer a central part of the control process,² but replaced by a decentralized responsibility for financial performance and customer satisfaction. None of the employees at regional or local levels were active at this time, but they still highlighted this part of the SHB history.

Decentralization and empowerment are central ingredients in the descriptions of the bank, whether made by employees in interviews or in official texts. Therefore it is intriguing when a member of the SHB top management claims that:

"We have driven decentralization far, concerning credit decisions and as an overriding policy. This has a lot of obvious advantages, concerning customer satisfaction, customer service, motivation among employees, the possibility to influence your own business. To be able to have this, you must have an extensive and strong control. We have always had that".

We will outline how this extensive and strong control is performed, starting with how socio-ideological control enforces both empowerment and strategic alignment and how this is built and sustained by human resource management activities. Then we will focus on formal controls and how their extensive range and intensive use avoid undermining empowerment while enabling the monitoring of strategic alignment.

² This decision has been extensively treated in the management literature, in numerous descriptions made by Wallander but also as one of the key examples behind the concept of "Beyond Budgeting" (Hope, J. and Fraser, R. (2003) *Beyond budgeting : how managers can break free from the annual performance trap*. Boston: Harvard Business School Press, Wallander, J. (1999) Budgeting — an unnecessary evil. *Scandinavian Journal of Management*. 15, pp. 405-421.

Socio-ideological control in SHB

The idea of how employees in SHB should think about their work is based on a concern for the long-term interests of the customer. Success should not be achieved through short-term gains. Prudence is another guiding principle. Risk should foremost be handled by working with financially sound customers who have good future prospects. Cost efficiency is also highlighted. Within this very general frame for banking operations, the message about decentralization and empowerment is especially pronounced. The branch is the bank, and the rest of the organization should see itself as a support to those who are actually doing business. However, local decision-making should be undertaken under the guiding principles of long-termism, customer focus, cost-consciousness and prudence in mind.

The socio-ideological controls used to communicate this idea of what it means to be a SHB employee starts with a little book called “The Handelsbanken Way”. The book was originally written by Jan Wallander and is now updated by each new CEO at SHB. The book is given to every new employee at the bank and is supposed to be discussed throughout SHB. Reminders of the ideas are also given through monthly letters from the CEO, which are complemented by the regional managers’ opinions on regional matters. These letters deal with current matters, but as often as possible they are formulated to reflect the core ideas of SHB. Admittedly, similar core ideas and the way they are communicated are not unique to SHB but typical of many organizations. To understand why the core ideas are likely to be considered as a strong socio-ideological control, it is necessary to consider how SHB adapts a number of its human resource management processes: career planning and promotion, training, personnel networks and recruitment policy. Furthermore, these processes support practice-based experience with handling customers and loans, which is considered to be the core knowledge of banking on which all actions in the bank should be based.

Training

Training is foremost internal. The central office develops education packages that are adjusted to local conditions at the regional level. External experts may be used as instructors, but usually instructors are function experts from the regional levels or branch managers. The intention is to adapt the education to the core ideas of SHB.

“In the training programme, the manager of credit shall, for example, instruct on the granting of credits, basically to show how to do it.” [Branch Credit Assessor 1, South]

An important part of the training is the learning that takes place in the course of the daily work. Branch managers are required to make sure their employees are given the opportunity to develop and grow. According to the personnel manager at South, this is a task for the regional personnel department.

“We monitor them from their first course. We, and the course leaders, react if someone is not keeping up. Perhaps they do not get the right conditions or the right coaching. A lot of training takes place in the regular work. You should not rely on courses to learn the profession. It is about getting practical experiences. That is why we talk with branch managers about conditions. It rarely depends on the employee.” [Human Resources Manager, South]

Courses are also important in fostering personnel networks among employees. Personnel networks facilitate branch employees' access to support as well as the general SHB ambition to make all branches cooperating as one bank. Since few employees leave the company, and many become managers or experts, it is likely that making new acquaintances at in-service training will be useful in the future. The principle is that everyone should help each other and that there should always be someone to call. For this reason, personal ties among employees are encouraged. SHB also stimulates managers and specialists in the branches or regions to establish unofficial work groups with their peers in order to share knowledge.

Career planning and promotion

In its career planning and promotion policy, SHB is rather restrictive regarding the external recruitment of managers. Managers are mainly internally selected. For example, in 2009, 98 per cent of the new managers were internal recruitments (SHB Annual Report 2010). A number of reasons are given for this policy. Managers should be well informed about operations and should be able to understand the situations that the employees experience in their daily contact with customers and with various procedures. Furthermore, since managers are important in maintaining the core ideas of SHB, they need to internalize these core ideas before they become managers.

“In our experience, internal recruitment in a bank is a good thing, at least if you have the business concept we have.” [Chief Executive Officer]

Becoming a manager for a local branch takes some time. After working ‘on the floor’ for a few years, employees may be promoted to deputy managers at the branches. Also, before becoming a manager of a big branch, employees are expected to begin as the manager of a small branch and gradually work their way towards bigger-size branches. Further advancement, to the regional level, for example, would normally imply that the manager begins working in a team at the regional level, then becomes a function manager (auditing, personnel or accounting) or an area manager, and then possibly takes a position at a regional level. Broad banking experience is considered a key factor in promotions. This also reinforces the building of personnel networks, as discussed above. Since moving between different functions, branches and regions is appreciated by the bank, most managers at regional level and above have many “former colleagues”.

Career development at the bank is the responsibility of the employees. Besides taking basic introductory courses, employees take courses for new positions. However, such courses are approved informally by the employees’ closest manager and formally in two annual meetings called ‘wage-setting’ and ‘development’. The formal process is to ensure that no one is forgotten in the organization. In these discussions, performance consistent with ‘the SHB way’ is a central theme.

“It is a part of the criteria for wage setting that you are a cultural carrier.” [Branch Credit Assessor 2, South]

Identifying managerial candidates is a key responsibility at the bank. The branch managers are expected to contribute to this effort by pointing out the employees who seem suitable for promotion.

“I succeed if my employees succeed in the bank. We lose in benchmark ratings if someone leaves, but I think it is just as important to contribute to people’s development – and it is important to the bank.” [Branch Manager 1, South].

The promotions are also considered a main reason for SHB’s ability to retain people for so long (the average time at the bank is more than 25 years).

“You must take this drive positively and realize that the individual wants to have a plan. He wants to see a future that is better than the present. Otherwise he will spend time trying to find another place, and we will lose a good individual. That is why we have to promote people.” [Former Top Management Member]

But there are also personal motivations for managers to develop and promote others.

“The joy for you as a leader is to look back and see that you have promoted a lot of people and helped them forward. It is a valuable source of joy – there must be a hundred persons in this organization who like me because I gave them the opportunity to take an important step in their career. [Former Top Management Member]

Promoting others provides intrinsic motivation for managers and a way to expand their network at the bank. However, such promotions may also elicit appreciation more directly from management.

“I have done that [recommended employees] a couple of times to our CEO. ‘Take this guy. It will turn out well for you.’ He has thanked me several times for recommending people who turned out well.” [Former Top Management Member]

This process is, of course, time-consuming and challenging although necessary. All employees need a good understanding of the SHB way of doing things at all levels because this is expected to result in an organization where all non-frontline functions support the branches.

Recruitment

The recruitment strategy of SHB is clear. It is about hiring employees who are ready to advance the SHB way of doing things.

“Sometimes we need to get in new blood. But we want them to come directly to us from school [university] so they can learn our way. Then it is easier for them to adapt to our way. Later you can use that competence wherever you like.” [Branch Manager, West]

The personnel manager at South finds it a challenge to meet young students at the university and tell them that SHB expects them to stay until they retire. Still, this is the message she conveys to them. Her strategy

is to point to the upside of the stability and exciting career opportunities at the bank. She explains to the students that employment at the bank offers a real opportunity to climb the ladder but also to try many different roles and functions within the organization.

SHB does not conform to its idea about decentralization in recruitment. The decision on who to hire is made by the personnel manager at the regional level. Employment decisions are to be made in response to local needs as well as to the interests of SHB as a whole. The signal to the new recruits is clearly that they are hired by SHB, not by a branch office. However, intense communication between branch managers and the personnel managers takes place before hiring decisions are made.

“Everyone hired at SHB must have the potential to become a manager. Perhaps you hire three persons during ten years at a branch office. One of them is likely to be a mistake, that is, not manager material. One of them will become a branch manager and one of them will move to another position, either as an expert or as a manager at the regional level. Therefore, we must look only for manager material in those we employ.” [Manager Human Resource, South]

This means that the branch managers’ selection of deputy managers is closely monitored at the regional level and that the regional managers participate significantly in the process.

Together, these HRM policies are an expression of an ambitious intention to have employees who act in accordance with the core ideas of SHB. At the same time, training, personnel networks, career planning, promotion and recruitment aim at strengthening empowerment through equipping people with both the confidence and knowledge to make decisions.

Organizational structure in support of socio-ideological control

The organizational structure of SHB’s operations in Sweden has three hierarchical levels: the CEO, the regional manager and the branch manager. With about 450 branches, this appears to be a flat organizational structure with a broad span of control. However, at the six regional banks in Sweden, there is a position called area manager. There are three to six area managers per regional bank. Without a formal place in the hierarchical structure, area managers help the regional managers maintain contact with all

branch managers. Since area managers are responsible for the yearly development meetings, their role is in practice close to that of middle managers. The area managers have 15-20 branches to follow, but they do so, as stated above, without formal branch responsibility. Apparently, the area managers are essential to the efficacy of communication within SHB.

“He [the Area manager] is a support and he can help us. We can call him if there is a question about how to do something practically, if there is something we should change. How have the other branches made it smooth and easy? What is the easiest thing to do to solve a problem? He has been around at quite a few branches and he knows how it is done there and how it is done there.” [Branch Manager 1, South]

Moreover, the branches should have easy access to support from functional expertise. SHB has departments at the central level for treasury, control and accounting (with risk control), credit, personnel, legal matters, compliance, internal auditing (reporting to the Board) and corporate communication. Although the regional banks have the freedom to determine their internal organization, they often choose to have most of these functions. The result appears to be that it is possible to follow at the regional level what happens in the branches, even if the formal span of control is very broad, i.e. between 60 and 90 branches per regional bank.

The role of technocratic controls in the control system

As mentioned earlier, SHB operates without a budget. Business and action plans are discussed at all levels and between superior and subordinate managers, but no fixed targets are decided on any parameters. However, there are technocratic controls in the form of results controls and actions controls that seem to enable the monitoring of strategic alignment without undermining empowerment.

Results controls

Starting with results controls, the ratio between cost and income (C/I) and customer satisfaction are emphasized. Based on these measures, the bank produces league tables, i.e., benchmarking. Both measures are seen as strongly aligned with core ideas: C/I with cost-consciousness and prudence, and customer satisfaction with long termism and relationships with customers. According to the respondents, the C/I measure is especially noted by the branch managers and in reality the only financial measure they pay

attention to. This means that financing issues, the balance sheet and portfolio risks are the concerns of the regional level. At the branch level they concentrate on doing business. The C/I measure also replaces limitations on investments at branch level. Although any larger investments would typically be discussed with regional level managers, there is no investment budget limiting branch managers. They are rather expected to take responsibility for the C/I measure, which carries the depreciation cost.

Besides the C/I measure and the customer satisfaction index, other performance measures can be added to or removed from the benchmarking process as concerns emerge or disappear. In the interviews, managers at the regional levels described the selection of performance measures as a conscious process of directing the interest at the branch levels towards key issues.

“We are benchmarking almost everything. Volumes, market shares, compared per number of employees. Everything is benchmarked and no one should fall behind... The head-quarters are involved in this, so you could say that they control us.” [Regional CEO, South].

In this way, technocratic (results) control has a role in monitoring strategic alignment. However, the story of the key performance indicators does not stop here. The lack of performance targets or any formal short term incentive system connected to the key performance indicators means a limited use (compared to classic control of strategic alignment³). However, from the interviews it was evident that the performance measures were used in the regions and at the branches in a way that allowed socio-ideological controls to come into play. In the frequent meetings between branch managers and area managers or functional managers, the performance measures were highlighted.

“Of course we keep track of how the branches are doing. We have the C/I measure and our Excel-sheet with performance information. We send that to the branches each month, and I look at it as well. I can follow the development and see what they need to improve.” [Area Manager, West]

³ The only financial incentive for employees in SHB (except for personnel directly involved in the trading of financial market), is a profit-sharing system, Oktogonen. Profit –sharing occurs when SHB performs better than their competitors and payout is made to a pension fund. During the last 30 years, SHB has achieved these targets every year except for two. The success of Oktogonen is a part of the explanation to why employees stay in the bank for a long time. Part of the money in the pension fund is reinvested in SHB, which makes the employees one of the biggest owners of the bank.

Branch managers were asked to explain results and how they would be handled, especially if they needed support from upper level managers or experts at the regional level. This was not a rare or unusual activity at SHB. Rather, it was a constant, ongoing communication process, initiated by either superior or subordinate managers. As far as possible, this was intended to be a supportive and positive process, although poor performance was noticed and acted upon.

“We have a very good internal accounting system where we can determine very quickly if a branch is wandering off. Then we can go there, and put them back on track. Every branch manager has great freedom to manage his branch, but we are very good at reading the details in their profit and loss statements and account balances. We can see if something seems to be wrong. Then we go there and talk to the manager. ‘What do we do about this? It doesn’t seem to work well enough’” [Former Top Management Member]

Seemingly, the performance measures were not linked to tangible, individual rewards and there were no fixed targets to be achieved. However, they were still thoroughly monitored and any sign of performance worse than expected was followed by questions and discussions about how to proceed. Furthermore, they were taken into account when managers were considered for new positions. However, if a branch manager’s poor performance did not improve over a certain period, upper level managers might lose patience and begin to look for a replacement, but this was rare.

Interestingly, at the same time as the results control controlled behavior towards strategy implementation, the performance measures did not seem to be a threat to empowerment. The respondents’ statements above on branch level employees’ experiences of “real” freedom are representative. Branch managers and employees thought these measures were informative and useful in their self-management. If figures did not mirror their own expectations or unexpectedly deviated from historical performance, the measures encouraged them to take action. They did not feel their superiors held them accountable for the measures beyond what they saw as reasonable. The following statement is an example that shows how branch employees see single measures as a small part of the bigger picture, in which “failure” can easily be explained:

“When there is a new card to sell, we don’t take that to mean that we should sell 100. We look in our customer lists to see where it could fit. If we sell few, then it’s because it’s no good to the customer. If our finance department is responsible for the card, then they ask why we don’t sell more. But they can’t say anything if it’s because we don’t consider the card to be good to our customers.” [Branch Manager, South]

Action controls

Also action controls have a prominent role in SHB’s management control system. Operations at SHB are highly regulated, as expected in banking. None of the respondents indicate that the prevalence or relevance of rules is less at SHB than at any other bank. Employees have instructions for most tasks that they perform for the customers and for internal purposes. Today, many such instructions are part of the IT systems, but it was different 20 years ago.

“I had been working at a bank before, and there we had three binders of instructions. When I came to SHB, there were ten. Then you might wonder if this is a decentralized bank when there are so many instructions? But if you think about it, we need this to know how to act when we have so much responsibility.” [Human Resources Manager, South]

All interviewees at the regional and branch levels agreed that SHB is highly regulated in its operations. There are good reasons for this and guidance is necessary since there are so many external regulations that banks have to comply with. The employees stated that they appreciated the usability of the instructions, which are translations of how external pressures should be interpreted and used at SHB.

In addition to the numerous instructions, there is a well-developed structure for following-up on compliance issues. Internal auditors, compliance managers and other experts at the regional level are responsible for making sure that the instructions are followed. The area managers are responsible for monitoring the overall developments at the branches, including adherence to the instructions. However, even though the respondents acknowledged the control dimension of these functions, they did not perceive the control negatively.

“We have rules to stick to, definitely. It [the bank] is absolutely rule-controlled since we have rules to stick to. There are no exceptions from them, absolutely not! But then again, we do

not feel rule-controlled in the day-to-day work because it is so established what we can do and cannot do. (. . .) But do I experience it as rule-controlled? No, but I know which rules to comply with.” [Branch Manager 2, South]

The various banking functions (especially compliance, functional expertise and the area management) are viewed as support for interpreting and using the instructions. Even if the instructions are written for the SHB way of working, specific situations can still be tricky. If such a complex situation arises, there is always someone to call or send an e-mail to.

An example of action control is the requirement that branch managers and employees follow a Credit Approval Process (CAP) before accepting any credits. In SHB, 94 per cent of the loan decisions are made at the branch level (SHB Annual Report 2009, p. 6). However, for each loan, there is a mandatory process to follow.

All customers are ranked on a 1-5 scale regarding their ability to repay their loans and how well their financial situation and ownership structure would allow them to handle unforeseen setbacks. The rankings are based on a two to five page report that the credit assessor compiles about the prospective borrower. The CAP regulates that these reports are sent to regional credit assessment departments after a decision is taken. This is supposed to be a learning experience for the credit assessor. The arrangement also allows the regional credit assessment department to follow different branches and individuals over time. If the functional experts see that things are often neglected at a branch or if a branch is more or less willing to grant a loan than the regional function thinks is appropriate, contact between the branch and the regional department may increase. In this way, a single mistake cannot be avoided, but eventually the arrangement resolves the unbalanced decision-making.

However, a branch employee claims to choose to send the reports before the decision anyway:

“All memos are sent to Gothenburg [The regional office]. Then they approve the decision or send the loan request back, asking ‘What did you think here? Then we have to explain or yield. Often they have more experience so.... If it is sent back, you do not fight but you have to find better arguments. Certainly, we have a limit for what credits we may accept at the

branch, but if they say that this is not ok, than you do not question that. Then you have to put it through one more time. But the branch makes the formal decision. We have all heard about someone who ignored what they said and that did not end well. It (the regional level) is an instance with a great impact.” [Branch Credit Assessor, West]

The credit assessor can decide on the credit without asking the regional office first. However, since the documentation for all credit decisions must be sent to the regional office after the decision is taken, the assessor may as well ask in advance in uncertain situations. Once advice has been sought, it is better to follow suit or it could be seen as unwillingness to learn and to adhere to the core ideas of SHB.

An experienced credit assessor talked about the CAP as strongly intertwined in the culture of SHB. In his experience, the bank has developed a culture that affects the rules and routines that in turn create the culture. He stated: “It [the culture] it is built into the very fabric of the bank.” Other experienced employees confirmed this opinion.

“I do not know if you should call it rules ... but there is ... we have a culture or history that we obey and within it there is a kind of rules control. Even if it is not stated: ‘this is how you ought to do it,’ it is still included in the culture of how we are supposed to work, which customers we want, how to work and what attitude we should take in credit assessment.”
[Branch Credit Assessor 3, South]

“How the customer should be treated, it is built into the fabric. I guess all in Handelsbanken think the same way. I think it has been tacitly understood since many years that this is the way Handelsbanken works. This is how customers shall be treated and this is the process we use in credit assessments.” [Branch Credit Assessor 2, South]

This explains why the CAP, or other rules, is not seen as undermining empowerment – a part of being empowered in SHB *is* to follow the rules. That ‘the rest of the organization’ has the means to pick up on deviations from the rules is not strange. Actually, ‘the rest of the organization’ can only support the branches, if it keeps abreast of developments

To sum up, we find that strategic alignment is connected to the visibility of performance and procedures produced by the technocratic controls. These are made important in communications that occur in settings where the core ideas are reinforced by experienced and knowledgeable managers.

Discussion

We will now look at the various elements and relationships within the management control system and discuss how the control system as a whole functions in influencing behavior.

Strategic alignment and socio-ideological control

In line with previous research we find that socio-ideological controls are important in ensuring strategic alignment in decentralized empowerment-based organizations (cf. Alvesson and Kärreman, 2007; Hope and Fraser, 2003). Our study of SHB shows that developing and maintaining core ideas is a deliberate and conscious form of the socio-ideological control at SHB. A fundamental part of the socio-ideological control is the establishment and continuous communication of SHB's core ideas, that is, long-term thinking, customer focus, prudence and cost consciousness. HRM measures have a key role here as we have shown. Recruitment prepares employees; they know that they are expected to adhere to the core ideas. In-house training explains how the core ideas relate to different tasks in daily life and offers opportunities for supervised practice. Network-building enables employees to get advice about how to interpret the core ideas. The "Our Way"-book and monthly letters inform about the core ideas; in the latter case as related to contemporary issues. The point to be made here is that these HRM measures impact behavior through influencing how managers and employees think about their work. Since our respondents show proudness in being a part of SHB, it would seem that the socio-ideological controls have been successful. There is an evident ambition to claim membership in the organization through showing adherence to the core ideas.

HRM measures like long tenure times and internal promotion further aim to support trust in the hierarchy of SHB. Area managers and other staff at regional offices have experience of working in branches and understand the situation they are in. Because of the emphasis on broad experience among managers at the regional level, there is also a good chance that those giving advice have a holistic view of the situation.

Branch employees considers the likelihood that the regional office will provide intelligible response to be high.

Top managers' trust in employees' adherence to core ideas might lead them to think that monitoring strategic alignment is unnecessary. However, this is not the approach taken, which is evident from the earlier citation of "*in order to have decentralization, you need to have strong control*". However, the socio-ideological controls do not provide superior managers with systematic means of monitoring strategic alignment. In the following, we present our interpretation of how the monitoring of strategic alignment occurs.

The role of technocratic controls and organization structure in monitoring strategic alignment

The technocratic controls have multiple roles in the managing process of SHB. First, and in line with previous research on how management control may support strategic alignment, the technocratic controls are well aligned with the core ideas of the organization and fulfill a role in *communicating* these (Kalagnanam and Lindsay, 1998). The key examples here are the C/I and customer satisfaction measures and the CAP, which are seen as necessities by the respondents. Second, simultaneously these measures support empowerment (e.g., Kennedy & Widener, 2008) by giving employees an opportunity to relate the core ideas of SHB to their daily work. The benchmarking process exemplifies this, by providing an incentive to perform. In the organization, it is seen as important to improve and to not fall behind comparable units. The benchmarking process gives organizational members the means to confirm their empowerment. Both informing and providing opportunity for confirmation is important to self-management. A move up in a league is a positive confirmation; a move down-ward is a trigger to take action. This self-management process does not require admitting failure externally; there is no fixed benchmark/target to account for. Here we can pinpoint our first relation between socio-ideological and technocratic control. Self-management relies on a successful socio-ideological control. Without the fixed targets or any formal consequences of a move up or down in the ranking, the incentive to improve one's position comes from somewhere else. We claim that one source of this incentive is the strong socio-ideological control that directs self-management towards adherence to core ideas as a way to claim organizational membership.

The third role of the technocratic controls is to provide the means for hierarchical communication about the local situation and core ideas. This is the most notable role, considering our interest in monitoring strategic alignment. It is around this role that the interactions between controls in SHB mainly evolve. Since SHB is a decentralized organization without results control based on fixed targets, the classic evaluation process is not valid. Still, managers follow their subordinates through the technocratic controls (e.g. benchmarking reports and CAPs). If they notice a drop in the benchmarking league or anything else of concern, they are expected to ask questions about it and offer support. It is important not to violate the decentralized authority, but this should not keep superiors from trying to drive development.

The strong emphasis on accountability for both performance and adherence to rules and core ideas, established through socio-ideological control, creates an interest for subordinates to initiate and take part in hierarchical communication, since it might help them to improve. We refer back here to the trust in competence within the hierarchy of SHB, which our respondents in branches signal. Managers on the regional level are not just superiors; they are often individuals that can support branches to develop their business.

A perceived trust in competence is not enough though. Time for interaction and proximity between the organizational levels also stand out as important. This is enabled by the organizational structure, i.e. the communication that is facilitated by the existence of area managers and “fully equipped” regional offices. This means that SHB has the expertise close to the branches. SHB has not prioritized to make their organizational structure ‘lean’; there must be time allotted for hierarchical communication (cf. Simons, 2005).

The sense of nearness is further enforced by the multiple personnel relations that long tenures have made possible, internal education and broad carriers, all contributing to opportunities to establish multiple personnel relations between individuals in the organization. The HRM-measures of building socio-ideological control thus enable the informal monitoring of strategic alignment that rests on the third role of the technocratic controls.

The possibility of monitoring strategic alignment is further enforced by an aspirational control (Alvesson and Kärreman, 2007). This control resides in the promotion process of the organization. With strong

emphasis on internal promotion, broad career paths as meriting for higher positions and regional offices, there are good career opportunities in SHB (i.e. many positions to be filled). In the HRM-process, it is formally regulated that everyone should continuously be guided regarding career development. Since managers are supposed to be carrier of culture, it is of value to the individual to use the opportunities provided to communicate an interest in learning and performing in line with core ideas, which a long-term career at SHB requires. It will be noted if a branch is financially successful chiefly because it makes high-risk loans and/or encourages employees to focus on short-term profits. Furthermore, information flows easily from the branches to the central headquarters. The area managers notice poor branch performance and ask questions. In the long-term, branch managers who do not deal with problems in 'the SHB way' are likely to lose their positions. Thus we observe "aspirational control" as vital to creating a long-term interest in both seeking advice from the hierarchy and communicating adherence to core ideas.

Monitoring strategic alignment through capacity to communicate

Our interpretation is that empowerment-oriented technocratic controls may have a key role in monitoring strategic alignment. Decentralization and the absence of formal targets do not prevent superior managers from closely following, influencing and monitoring action at local levels. However, this requires a well-developed capacity to communicate. The technocratic controls trigger hierarchical communication, i.e. make sure that the time devoted to hierarchical communication is used. However, they are applied in a manner that makes them no threat to the empowerment of managers and employees. On the contrary, the technocratic controls are communicated and used in a way that means that the operational level considers them supportive. Despite the fact that the core ideas and technocratic controls stipulate how branch managers and employees should act and what they are expected to achieve, our respondents maintain that each branch manager runs the branch as an independent company. Thus, our study confirms previous studies that claim that control systems may contain formal controls without threatening empowerment (Ahrens and Chapman, 2004; Cäker and Siverbo, 2011; Kalagnanam and Lindsay, 1998). We show how this is enabled through interactions of controls. Technocratic controls create visibility of operations, socio-ideological controls communicate the importance of technocratic controls and create incentives to use them and the organization structure allows space for communication.

The lack of formal targets and the idea that hierarchical communication should be supportive make it important to understand why employees do not refrain from listening to advice. In accordance with Frow et al (2010), we see that structures that enable intense communication is one part of the explanation. However, in contrast to Frow et al (2010) who find that intense communication is triggered by technocratic control (the risk of missing targets), we show how it is connected with socio-ideological controls (aspirational control and the importance of organizational membership). Performing in line with the technocratic controls is a way to signal the contribution to the organization. One example is the roles of compliance managers and internal auditors. These employees have the task of making sure that the branches operate as they should. Frequently, respondents stated that they turned to compliance managers and internal auditors for support. The respondents said they could seek guidance from these employees about how to handle new instructions or certain transactions. By seeking guidance, an employee signals an interest in being a good member of SHB.

As we have seen, monitoring and supporting processes and outcomes are highly interrelated in SHB, enforcing and encouraging discussions on how to combine a decentralized responsibility with strategic alignment. As Alvesson & Kärreman (2004), we find that socio-ideological controls give meaning to technocratic controls. However, the empowerment-oriented controls in our case are potentially important for avoiding the reinterpretation of technocratic controls that occurs in Alvesson & Kärreman (2004), where formal controls on occasions are turned into showing what is expected. We do not find that in SHB, and suggest that this is supported by the lack of short term focus on specific targets.

To sum up, SHB has a well-developed capacity to communicate, which is made up of:

- Technocratic controls, which are explicitly related to the core ideas of the organization, create visibility of action and performance. The lack of formal targets contributes to ensuring that the monitoring is done with a holistic perspective on performance, since distanced evaluation is problematized.
- Organization structure, which provides time for communication and enables holistic monitoring.
- Socio-ideological controls, mostly in the shape of HRM-practices, which build and sustain trust in experience-based advice-giving and closeness between individuals in the organization. These

controls support an alignment between employees and the organization and a long-term interest for employees through aspirational control.

Conclusions

This article addresses the question of how organizational structure, empowerment-oriented technocratic controls and socio-ideological controls interact in monitoring strategic alignment in decentralized organizations. Previous research has shown that it is challenging but not impossible to develop control systems that ensure strategic alignment without impairing empowerment. However, extant studies have not displayed how empowerment-oriented technocratic controls can have a role in monitoring of strategic alignment.

Our study confirms that socio-ideological controls have an essential role in ensuring strategic alignment but that these controls by themselves are insufficient. A set of technocratic controls may have an important role in complementing socio-ideological controls and enabling monitoring of strategic alignment. In our case, the technocratic controls were aligned with the socio-ideological controls and facilitated communication of organizational core ideas. They contained information that supported empowerment through giving confirmation of accomplishments or triggering actions. They were used in intra-organizational communication in a way that enabled monitoring of strategic alignment without being a threat to empowerment. The control system was unthreatening as a consequence of the design of the technocratic controls and of the way the technocratic controls were used in practice (cf. Frow et al, 2010; Jordan and Messner, 2011). On the whole, they provided visibility of local actions, which was used in hierarchical communication. Even though the empowered employees were not tightly controlled they were reminded and indirectly prompted to act in line with organizational core ideas.

This shows that the interrelationship between socio-ideological and technocratic controls was dependent on the organization structure design. A core element in the control system was the capacity to communicate and the organization structure played a major role in this. In an organization with strong socio-ideological controls, technocratic controls well connected to the core ideas of the organization and a capacity for hierarchical communication in terms of time and knowledge among superior managers, the

interpretation of subordinate managers and employees is that they are supported rather than monitored. Monitoring in itself is framed as necessary and a source of learning. In our case, this is achieved by conscious, long term HRM-activities in the organization.

Our study highlights multiple roles for different controls and multiple interconnections between the different controls. Even if some of these have been noticed in the literature before, we highlight the relations between two key features in the control system. First, we note the role of the organizational structure. The ability to use technocratic controls in a simultaneous process of supporting empowerment and monitoring strategic alignment requires managers to be able to follow in great detail what happens at local levels and to be seen as competent regarding their specialty. This has implication on the span of control. Second, we highlight the internal promotion process. Even if external recruitment of managers may have other benefits, our study shows the benefits of internal recruitment. It communicates to employees that managerial positions are available, which strengthens the role of promotion in the incentive system. Further, the internal promotion means that technocratic controls are used by superior managers with operational experience. This increases the chance that the controls are used in a manner that serves the dual function of supporting and monitoring strategic alignment.

Our study suggests some interesting paths for future research. Decentralization and empowerment have become important ideas in the contemporary management discourse. However, a strong logic in organization theory is the use of different resources under one authority to achieve common goals. At the same time, since operations are performed locally, there is a strong support for empowering employees in local circumstances. In this article, we have shown how a successful management control system may include controls that support both centralizing and decentralizing processes. However, we have not shown the conflicts that remain when this balance is tested, challenged and maintained by various actors in the organization. Research is needed to discover how the tensions and conflicts in management control systems that balance local and central concerns are handled.

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Appendix 1: Respondents

Central Organization

Chief Executive Officer

Risk Manager

Credit Manager

Vice President

Former Risk Manager

Former Top Management Member

Regional Bank South

Finance Manager

Human Resources Manager

Regional Manager

Branches in Regional Bank South

Branch Manager

Credit Assessor

Branch Manager

Credit Assessor

Credit Assessor

Regional Bank West

Regional Manager

Area Manager

Special Projects Manager

Human Resources Manager

Credit Manager

Branches in Regional Bank West

Branch Manager

Credit Assessor

Other Sources

SHB Annual Reports, 2009 and 2010

www.handelsbanken.se