



## Management Control Attributes and the Organizational Performance: A qualitative review



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### Abstract

This qualitative review is on management control attributes and organisational performance; the study tried to determine how much financial control, budget control and marketing control affect organisational performance. Theoretical foundations were established, and extant literature drew to uphold or invalidate these positions. Qualitative literature established a significant relationship between the objectives and corporate performance values. Recommendations and conclusions were drawn accordingly from the ranks set.

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## 1 Introduction

The control function (controlling) role is to detect potential weaknesses that occur as feedback to the management of the activity—starting from the planning stage to the implementation stage. Matters covered by the controlling function include the creation of standards or criteria, comparing results with standard monitoring, the implementation of an improvement over the deviation or aberration, modification and adjustment of the control method, and control glasses result of changing conditions, as well as communicating the revisions and adjustments to the entire process management in the hope of irregularities or flaws that ever happened does not happen again. Management control aims to ascertain whether the tasks and functions of supervision and objects or activities are following established (Otley et al., 1995). Management control is influencing others in a company to effectively and efficiently achieve goals. Determination of corporate objectives and strategies to achieve them is done in a process called strategic planning. Since strategic planning cannot be separated from the environment, strategic planning can also be regarded as a reaction to the environment companies. Management control is a tool to monitor or observe the implementation of the management company that tried to steer the achievement more efficient and effective (Otley, 1980).

Reliable employees and administrators are capable of completing various duties and functions. Carrying capacity is a likely to take place if the cooperative is managed and implemented by the Board that can be the inspiration that can encourage organisational culture and work behaviour, to improve the performance of the employee as a result of work accomplished concerning its position within the organisation—improved employee performance through the achievement of goals and objectives, both to improve services to members and improve the ability of cooperatives to obtain windfall profits. The cooperative as an economic institution needs to improve its competitiveness to conduct business is always based on the efficiency and effectiveness of business. The best way to conduct business based on the elements of the efficiency and effectiveness of the company is through the implementation of reasonable management control (Acquaah, 2013).

The critical role management control plays in organisations has evolved. It began as a formal feedback and control systems mechanism supporting the organisation, organisational learning, and innovation. From the academic perspective, management control has always been an essential tool for organisations. However, one notable fact is that the use of management control among organisations is limited (Otley, 2003) and is most often restricted to traditional techniques such as budgetary control mechanisms. Using a management control system as a conventional accounting tool is rampant among organisations in developing countries (Acquaah et al., 2008). For example, this practice is common among Sri Lankan organisations (Armesh et al., 2010). Growing research evidence has emerged suggesting that inappropriate management control systems can result in dysfunctional employee behaviour, negatively influencing organisational performance (Armesh et al., 2010). The most common occurrences of dysfunctional behaviour include manipulation of actual data to improve performance or avoid unpleasant outcomes caused by reporting accurate data. One control mechanism that fuels such behaviour is the budgetary control system, which, while appearing outwardly rational, has the potential to cause dysfunctional behaviour. Furthermore, reward systems used to improve employee performance sometimes compound these tendencies. Therefore, it is vital to identify how management control enhances organisational performance.

### *The problem*

Over the past decades, management control literature has been developed along with this traditional view, focusing on the importance of accounting and studying management control practices in the context of large, hierarchically structured organisations. Changes in the business and social environment have led to the emergence of startups worldwide, which relatively rapidly took place during the 1990s, along with the vast development of IT. As a result, in the last decade, management control literature has been expanded with studies examining the importance of MCS in startup companies (Almqvist & Skoog, 2006; Bagozzi, 1980).

Although multiple types of research have been conducted in recent years discussing the importance of MCSs in (corporate) startups, little attention has been given to the design of MCSs in corporate startups and whether traditional MCSs, designed for large enterprises, apply to corporate startups as well. The type of financing has been identified as a factor potentially influencing the implementation and design of MCSs, implying that the presence of venture capital in startups, as a result of corporate venturing, leads to more comprehensive MCSs. Research on how MCSs are designed in startups, particularly in corporate startups, is limited; therefore, there is a need for empirical evidence on this subject (Agbejule & Jokipii, 2009; Akroyd et al., 2010).

However, existing MCS frameworks may not provide an appropriate design for corporate startups since these frameworks are mainly designed for large hierarchical organisations. The problem recognised in the current literature concerning MCSs in startups is twofold; it is unknown which combination of control mechanisms is appropriate for corporate startups, and there is a lack of evidence regarding the design of MCSs in corporate startup companies.

#### *Study objectives.*

- Determine the extent to which financial control influences organisational performance.
- Ascertain the influence budget control has on organisational performance.
- Examine the impact of marketing control on organisational performance.

#### *Review of Related Literature*

##### *Introduction*

This segment is concentrated on reviewing relevant literature and the researcher's efforts to identify, locate, and appraise previous studies, opinions, comments, documents and observations related to these studies. This is in place of understanding the nature and relationship between management control systems as a tool for compelling organisational performances.

##### *Conceptual Review*

##### *Management Control*

Using management control systems allows managers to deploy the resources effectively and efficiently in achieving the strategic organisational objectives (Anthony & Govindarajan, 2007). Simons has developed a control framework that is important to pursue strategic organisational objectives. The control frameworks focus on communicating information for empowerment, innovation and control and connecting them (Lowe, 2019). Grant means that in addition to the top management, the employees will have more decision-making power and rights; it is believed that this is the way to achieve the desired results more effectively. Managers cannot take possession of all information and decisions. Innovation comes down to human activities aimed at improving strategic objectives and purposes.

This framework aims to implement management tools, which patterns in organisational behaviour can maintain or change. This should be done in such a way as to minimise the absolute control risk to a certain level. The core principle within the control framework of Simons is an interaction between instrumental and people-oriented control mechanisms (Arachchilage & Smith, 2013; Babbie, 2010).

It is about the interaction between the instrumental and people-oriented control mechanisms with a leverage effect between belief, interactive, boundary and the diagnostic control systems. The leverage effect and the control levers reinforce each other and allow for strategic organisational objectives efficiently and effectively. The four levers of power of Simons are presented, which are:

Belief systems encourage individuals to seek new opportunities and ways to create value for individuals to commit to organisational objectives. Effective managers try to communicate and inspire employees on the corporate core values and mission. These managers believe in the innate potential of people to innovate and add value to the strategic organisational objectives. According to the mindset of Simons, there must be a strong identification with the core values whereby employees create a kind of social control. This social control will reduce abnormal behaviour concerning the core values. It will also lead the project employees to effectively pursue the strategic organisational objectives (Lowe, 2019).

Boundary systems provide limits (e.g., frameworks, conditions, rules and code of conduct) for the project employees to reduce unethical behaviour to a minimum level. In addition, the boundary systems are designed to mitigate risks. These systems indicate the limits on the employees in the organisation that should not be exceeded. Diagnostic control systems monitor objectives and key performance indicators and correct deviations from the predetermined standard. But the application of diagnostic control systems will not be sufficient to obtain adequate control because the interaction between instrumental and people-oriented control mechanisms with the leverage effects between belief, interactive, diagnostic controls systems and boundary systems is of most importance (Lowe, 2019). The interactive control systems are focused on the strategic organisational uncertainties and are also used for organisation-wide learning and improvements of corporate strategies. Interactive control is a continuous interaction between top management and other parts of the organisation to recognise inside and outside signals and respond to the

organisational strategy. Interactive control systems enable managers to focus on strategic organisational uncertainties, learn about threats and opportunities, change competitive conditions, and respond proactively (Lowe, 2019).

With the diagnostic control system and boundary systems, strict limits are placed, complemented by the belief systems and interactive control systems-yang, which provide room for the required creativity. Simons offered a solution with the principle of the levers of control, where interaction is sought in the necessary authority and creativity. Within the levers of power, management should first provide the core values of the (project) organisation. Management also needs to provide clear boundaries within which employees should remain. Secondly, the interactive control should be focused on the communication between top management and the other involved parts of the organisation to achieve the organisational objectives. The purpose of interactive control is to create an organisation-wide learning process in motion by continuously reducing shortcomings in the behaviour of human methods, optimising operations and improving organisational strategies (Davila & Foster, 2005; Chenhall, 2003). Managers can achieve this by periodically identifying risks, evaluating the effects of interventions and applying this knowledge to existing management measures according to the planning and control cycle (plan-do-check-act).

#### *Importance of Management Control System (MCS)*

The management control systems include the following area of planning and control (Pawan, 2013):

- Strategic planning
- Management control
- Task control
- Operational control

Strategic planning control deals with the issues about an organisation's primary objectives and implementation, followed by monitoring its progress. The management followed its progress. The management deals with proper allocation and effective utilisation of resources, a substance in competition and transforming the organisation's objectives into reality (Dunk, 1992; Henri, 2006). The task operation controls to deal with the factors of efficiency in functions of the firm. Therefore, we can say that management control systems are the formal and informal systems that help the management drive the organisation toward its goals. They provide practical guidance to the organisation's employees to accomplish its objectives (Pawan, 2013). Formal control is laid down in writing by the management, whereas informal arises out of employees' behaviour. A Management control system is a system. A system is an aggregate of machines and people that work toward a common objective or goal of the organisation. A system can be described as a series of steps or phases consisting of an input phase, a processing phase, and an output phase. A control system adds measurement, analysis and reporting phases to the system. Output is measured, compared against a plan, analysed if judged significant, and then reported back to the appropriate earlier stages of the control system in the form of positive or negative reinforcement. In a management control system, data or information are typically fed back to the organisation's management in various system phases.

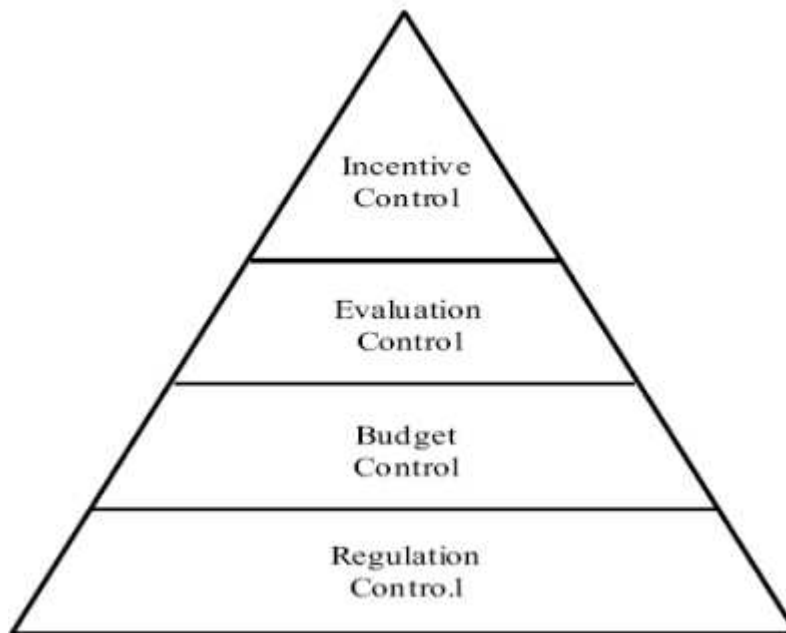


Figure 1. Hierarchies of management control system  
Source: MCS models used in China, Zhang Xian –Zhi, November 2010.

A control system is a set of formal and informal methods to assist the management in steering the organisation towards its goals. Controls help guide employees effectively towards accomplishing the organisation's goals. Establishing a control system in an environment of distributed accountability, reengineered processes, and local autonomy and empowerment is challenging. The control process in any organisation can be undertaken at three levels. These are the strategic level, the management level, and the operational level (Malmi & Brown, 2008; Marginson, 2002). Each type of control occurs primarily at one of the three levels of the organisational hierarchy. Strategic control deals primarily with the broad questions of domain definition, direction setting, expression of the organisation's purpose, and other issues that impact the organisation's long-term survival. Strategic control overlaps to some extent with the process of strategy formulation. Strategic control also deals with matters relating to general company objectives and the implementation and monitoring of progress. Management control deals with effective resource utilisation, the state of competitiveness of the unit, and the translation of corporate goals into business unit objectives. Operational control is primarily concerned with efficiency issues. Occurring at particular functional or sub-departmental levels of the organisational hierarchy, this control mode generally conforms to traditional control models. The time horizon of power is very short, the benchmarks are known and well defined, and the outcomes are tangible and easily measurable (Merchant & Van der Stede, 2007; Otley, 1999).

#### *Role of management control systems practices in large-scale organisations*

Organisations are divided into sub-units based on principles of specialisations and division of labour. The control system plays a significant role in coordinating the efforts of these sub-units. Control system designers try to design strategies to minimise transaction costs (Otley, 2001; Parthasarthy & Sethi, 1993). Each sub-unit has an objective derived from the firm's overall purpose. The control systems assist the executives in meeting the organisation's general intention and its constituents' requirements. There are three essential managerial functions of an executive. These are as follows:

- Securing essential efforts from the employees as well as the stakeholders of the firm
- Providing a sound communication system to coordinate various activities of the firm
- Setting up the purpose, goals and objectives form an organisation and delegating responsibility to various sub-units to accomplish the goals.

### *Nature of management control systems*

The role of the management is to organise, plan, integrate and interrelate organisational activities to achieve corporate objectives. Management control systems facilitate the achievement of these activities. A management control system is designed to assist managers in planning and controlling the organisation's activities. A management control system is how senior managers ensure that subordinate managers, efficiently and effectively, strive to attain the company's objectives. According to [Otley \(1994\)](#), management control is "the process by which managers ensure that resources are used effectively and efficiently in the accomplishment of the organisation's objectives". Management control systems involve several activities in an organisation, including:

- Planning the future course of action
- Coordinating and communicating the various activities of the organisation to different departments
- Evaluating information and deciding the various activities, and finally,
- Influencing people to work following the goals of the organisation.

### *Characteristics of a good management control system*

A sound management control system ensures success for an organisation. Reasonable management control implies that the organisation's goals are communicated to the employees and that the employee is confident about performing his tasks well. For example, reasonable inventory control means that employees have information about the quantity of inventory present and its availability at different locations ([Pawan, 2013](#)). An organisation does not usually have perfect control. For ideal control, all the employees should be working in the best possible way. But this is not always possible as employee behaviour is not stable. Reasonable control can be achieved in the following ways ([Pawan, 2013](#)): Future-oriented Planning is always oriented to the future. The organisation should be focused on the future. Employees should be encouraged to be flexible to respond effectively to change. Precise Objective Good control cannot be established unless the multiple objectives of a particular task are considered separately. For example, to assess the control system relating to production, all major performance parameters like efficiency, quality and asset management must be measured. Minimum control losses Control devices are costly and not always economically feasible. So, control devices should be put in place only when the economic benefits exceed the costs. The difference between the performance that is theoretically possible and one that can be reasonably expected is called "control loss." An organisation achieves optimal performance when control losses are minimised. An organisation can control the losses if the control process is well defined in the beginning so that the control of each activity can be measured in line with the organisation's objective.

## 2 Conceptual Framework

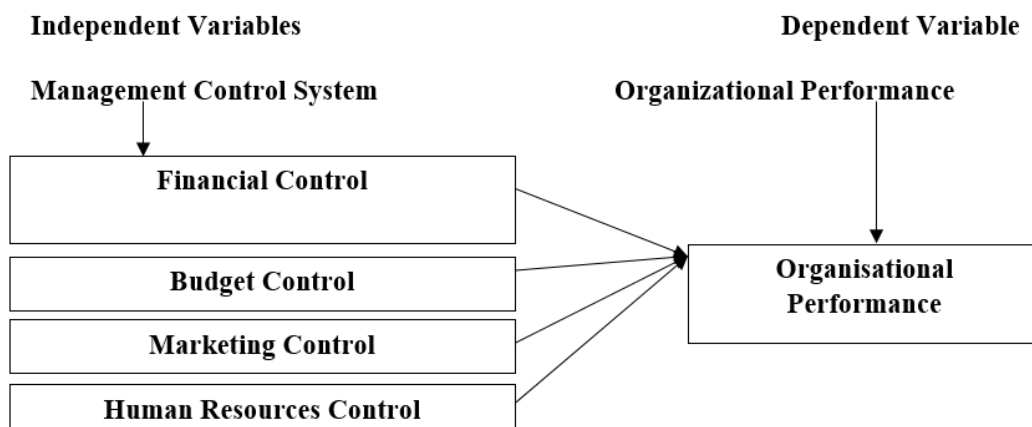


Figure 2. Conceptual framework of significant variables and their hypothesised relationship

Source: Researcher's model

### *Financial control and organisational performance*

After the organisation has strategies to reach its goals, funds are set aside for the necessary resources and labour. As money is spent, statements are updated to reflect how much was spent, how it was spent, and what it obtained. Managers use these financial statements, such as an income statement or balance sheet, to monitor the progress of programs and plans. Financial statements provide management with information to monitor financial resources and activities. The income statement shows the organisation's operations' results over time, such as revenues, expenses, and profit or loss. The balance sheet shows what the organisation is worth (assets) at a single point in time and the extent to which those assets were financed through debt (liabilities) or owner's investment (equity). Financial audits, or formal investigations, are regularly conducted to ensure that financial management practices follow generally accepted procedures, policies, laws, and ethical guidelines. Audits may be conducted internally or externally. Financial ratio analysis examines the relationship between specific figures on the financial statements and helps explain the significance of those figures (Pawan, 2013):

- Liquidity ratios measure an organisation's ability to generate cash.
- Profitability ratios measure an organisation's ability to generate profits.
- Debt ratios measure an organisation's ability to pay its debts.
- Activity ratios measure an organisation's efficiency in operations and use of assets.

In addition, financial responsibility centres require managers to account for a unit's progress toward financial goals within the scope of their influences. A manager's goals and responsibilities may focus on unit profits, costs, revenues, or investments.

### *Budget controls and organisational performance*

A budget depicts how much an organisation expects to spend (expenses) and earn (revenues) over time. Amounts are categorised according to the type of business activity or accounts, such as telephone costs or sales of catalogues. Budgets not only help managers plan their finances but also help them keep track of their overall spending. A budget, in reality, is both a planning tool and a control mechanism. Budget development processes vary among organisations according to who does the budgeting and how the financial resources are allocated. Some budget development methods are as follows (Pawan, 2013):

**Top-down budgeting:** Managers prepare the budget and send it to subordinates. **Bottom-up budgeting:** Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.

**Zero-based budgeting:** Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organisational goals.

**Flexible budgeting:** Any budget exercise can incorporate flexible budgets, which set "meet or beat" standards that can be compared to expenditures.

### *Marketing controls and organisational performance*

Marketing controls help monitor progress toward goals for customer satisfaction with products and services, prices, and delivery. The following are examples of controls used to evaluate an organisation's marketing functions (Pawan, 2013):

Market research gathers data to assess customer needs and information critical to an organisation's success.

Ongoing market research reflects how well an organisation meets customers' expectations and helps anticipate customer needs. It also helps identify competitors. Test marketing is small-scale product marketing to assess customer acceptance. Using surveys and focus groups, test marketing goes beyond identifying general requirements and looks at what (or who) influences buying decisions. Marketing statistics measure performance by compiling data and analysing results. In most cases, competency with a computer spreadsheet program is all a manager needs. Managers look at marketing ratios, which measure profitability, activity, and market shares, and sales quotas, which measure progress toward sales goals and assist with inventory controls. Unfortunately, scheduling a regular evaluation of an organisation's marketing program is easier to recommend than execute. Usually, only a crisis, such as increased competition or a sales drop, forces a company to look closely at its marketing program. However, more regular evaluations help minimise the number of marketing problems.

Human resource controls help managers regulate the quality of newly hired personnel and monitor current employees' developments and daily performances. Daily, managers can go a long way in helping control workers' behaviours in organisations. They can help direct workers' arrangements toward goals by making sure that goals are set and understood. Managers can also institute policies and procedures to help guide workers' actions. Finally, they can consider past experiences when developing future strategies, objectives, policies, and procedures. Common control types include performance appraisals, disciplinary programs, observations, and training and development assessments. Because the quality of a firm's personnel, to a large degree, determines the firm's overall effectiveness, controlling this area is crucial.

#### *Profile of selected enterprises in delta state*

The profile of the selected enterprises in Delta State is stated below.

#### **Delta Steel Company (DSC)**

In April 1971, the Nigeria Steel Development Authority (ASDA) was established by a military decree (No April 9, April 14). In 1979 it was metamorphosed into several organisations, of which Delta Steel was among. Delta Steel Company was commissioned in 1982 and produced steel imported from Ore in Local Steel scrip.

**Location:** Delta Steel Company (DSC) is in Ocean, Aladja Warri, Delta State.

**Facilities:** It was established to produce industrial raw materials as:

- Cast Iron (Different categories)
- Rods and Bars (both excellent tensile and steel varieties)
- Wires (in all its ramifications)
- Structural Steel (light, medium, heavy structured)
- Flat sheet steels (plan and galvanise ad also spectrum classified as flat)
- Stainless and other special alloy steels
- Rails and pipes
- Plat (various sizes in width in thickness)

#### **DESOPADEC**

Delta State Oil Producing Areas Development Commission (DESOPADEC) was established in July 2007, although it had a retroactive effect from August 2006 under the governorship of Chief James Ibori. A board with an executive chairman and commissioners from the oil-bearing ethnics nationalities in the state were subsequently put in place.

July 4, 2007, the Delta State House of Assembly led by Rtd. Hon (Dr.) OliseImegwu passes a resolution calling on Dr Uduaghan to dissolve the Board over issues of improper membership of commissioners, In July 16, 2007, the Government rejuvenate the Board.

#### **Objective:**

- To executive a clear and critical mandate, rehabilitation, rejuvenate, and rekindle the people and oil communities of oil-producing areas of Delta State.
- Other developing projects may be determined from time to time.

#### **Some activities**

- Manage and supervise the affairs of the Commission
- Establish and maintain such a department as it may deem fit to discharge its functions effectively.
- Make rules and regulations for carrying out functions of the commissions
- Pay the staff of Commission, general remuneration and allowances as appropriate
- Do other things that are necessary and reasonable for efficient performance.

Delta State Government has appointed a new Management Board for the DESOPADEC. The members of the new Board were screened and cleared by the Red. Hon. Victor Ochei led the Delta State House of Assembly on August 11, 2011

The composition of the New Board is as follows.

- Chairman — OritsualKpogho and eight other members. The secretary will be the source from the State civil service.
- The new Board take over from the caretaker committee headed by Mr Reginald Boyoko.

**Delta Hotels (Agbor and Orerokpe)**

Delta Hotels Agbor and Orerokpe were established in the early 70s in the Local Government Headquarters of Ika Local Government and Okpe Local Government Council, respectively. The main objective was to build relaxation and recreation centres for government officials posted to these local government areas. District officers (DOs) were equally put in mind to have a resting place after their usual daily activities.

**Facilities:** Table Tennis Court and Basket Ball Pitch. As a result of these facilities, they used to compete with neighbouring villages around these local government headquarters. However, from the research carried out, it has been privatised but still serves the public.

**Osubi Airport**

Warri Airport (Osubi airstrip) is located at Osubi, 1.8km from the city of Warri. The plan was first drawn in the late 1970s because it states as an oil city, but it was languished for over two decades due to corruption.

Shell finally decided to build and commissioned it on its own and was opened for commercial use on April 1, 1999. It is one of the busiest aviation facilities in Nigeria and operates in conjunction with other oil companies. The maintenance and facilities are among the best in the country.

**Contribution:**

1. It has opened up Warri for business and investors who are assured of a quick and convenient means of travel
2. It has promoted safe travel and general aviation operations with its ultra-modern navigational and landing facilities.

**Proposed Facilities:**

- Internal works
- Car park
- 4-kilometre runway
- Artillery facilities
- Health care with an estimated cost of 37.3 billion

**Delta Building Society**

Delta Building Society is at 126B Nnebesi Road, Asaba, Nigeria. The Delta State Government established this under the governorship of Chief James Ibori to finance projects which include:

- To grant loan
- Western Union Money Transfer
- Financial Investment Service

Loan money for a total purchase of estates and houses. It was established to finance government projects, especially buildings and estates. It also involves giving a loan with considerable collateral security.

**Oghara Stadium**

Oghara Township Stadium is a multi-stadium built by Governor James Ibori, who believes that charity begins at home. It is a multi-use stadium used primarily for football matches and hosts some of the final tournaments for sporting activities.

**Location:** Within the town of Oghara in Ethiope West Local Government Area of Delta State, Nigeria.

**Facilities:** Swimming pool, street lights, and well-structured Hotels with student facilities for athletics were built on December 10, 2011. Health equipment facilities for athletics are a place for the colourful ceremony.

**Warri Stadium**

Warri Stadium is located at Cemetery Road in Warri Delta State, Nigeria. It is currently used for football matches and is a multi-purpose stadium. It boasts of the best sporting activities. Warri Stadium has a capacity of not less than 80,000 people. It was described as a first-class stadium by the confederation of African Athletics (CM). It is a regular home for Warri wolves. It hosted the final tournament for the 2006 Women African Football Championship.

## Theoretical Review

### Contingency Theory

As the theoretical platform of this study, contingency theory is a theory of theories. In the literature, scholars have discussed the notion that a set of behavioural theories is nested in contingency theory (Fiedler, 1964). For this reason, contingency theory is seen as a theory of theories. That said, a common denominator underlying all strands of contingency theory is the proposition that organisational performance is dependent (i.e., contingent) upon the fit between an organisation and several factors, some of which are technology, structure, people, strategy, and organisational culture (Ganescu, 2012).

Because these contingent factors are numerous, there is no best way of organising and leading an organisation (Ganescu, 2012). An organisation's effective leadership style in some situations may not be successful in others, and this notion has become the epicentre of contingency theory (Ganescu, 2012). The optimal organisational leadership and management styles are contingent upon various internal and external constraints imposed by these contingent mentioned above factors. However, not all scholars submit to this notion; critics such as Longenecker & Pringle (1978) exist. The central tenet of contingency theory is that organisational performance hinges on aligning internal and external contingent factors. The equation represents this notion of conditionality in mathematical shorthand:

$$\text{Organizational Performance} = f(\text{MCS \& Strategy})$$

In this equation,  $f$  is the functional form of the statistical distribution that relates organisational performance to management control systems (MCS) and business strategy; hence,  $f$  means "depends on" or "contingent on." The equation is the linchpin that ties the research to the contingency theory platform, as demonstrated in the works of statistical mathematicians in strategic management (Ganescu, 2012). Relevant to this study because of its structure and style.

## 3 Empirical Review

Obinozie (2016), investigated the perceived relationships among management control systems, business strategy, and organisational performance in US minority-owned manufacturing businesses. Hofer's contingency theory provided a framework for the study, including a quantitative, survey-based correlational design. Research questions focused on the relationship between financial- and nonfinancial-based management control systems and low-cost leadership and differentiation strategies and how these practices impacted organisational performance. A sample of 1,000 participants was selected from a population of 2,583 minority-owned manufacturing businesses in the United States. The principal component analysis results, Pearson's zero-order correlation coefficient, and multiple regression analysis indicated that financial- and nonfinancial-based management control systems and differentiation strategies significantly related to organisational performance. A low-cost leadership strategy was positively related to organisational performance but was not statistically significant. This study could promote positive social change by providing executive finance managers with information regarding the appropriate mix of financial and non-financial management control system strategies necessary to achieve desired organisational performance.

Nurwati (2013), examined that cooperative as a business organisation or company that is managed based on the principle of the family, must adhere to the principles of sound management, transparency, accountability, and be fair in the achievement of common goals. In this regard, executives/managers and employees of cooperatives should be responsible for using cooperative economic resources efficiently to sustain profit efforts. It is, therefore, necessary to control management's role in carrying out the work culture, generating employment, fostering an atmosphere of cooperation, and can influence the behaviour of subordinates that will have an impact on improving employee performance. Besides, it also required that promote employee professional and cooperative interests. This study aims to identify and assess the relevance of management control on employee performance by considering the organisational culture, compensation, and work behaviour as determinants of employee performance improvement. This study sampled 135 employees at 18 Village Unit Cooperatives Sulawesi Tenggara. Data collection is done by distributing questionnaires followed by in-depth interviews (in-depth). This study used descriptive analysis to determine the respondent's characteristics and respondent descriptions of indicators for each study variable.

In comparison, examining the pattern of relationships between the study variables used an inferential analysis tool that analyses points to the approach of SPSS version 20. The results of this study indicate that adequate management

controls improve employee performance when attention to the factors that contribute to the organisation's culture, compensation and workplace behaviour in cooperatives in the province of Southeast Sulawesi. The study also produced findings to improve employee behaviour for the better when the culture of the organisation and compensation factors are considered.

Jamil & Mohamed (2013), investigated that a performance measurement system (PMS) is one of the main functions in management roles and reflects firms' strategic goals. PMS notably support the management control system (MCS) to manage increasing complexity. Traditionally, PMS models are more horizontal, process-oriented and focus on stakeholder needs. Therefore, it is interesting to consider MCS in designing PMS to overcome traditional PMS's weaknesses and improve overall performance. Specifically, the study's objective is to investigate the role played by the MCS in the PMS design in the context of Malaysian SMEs hotels. The study employs contingency theory and four Simons control levers as intervening variables to explain the relationship. Data is collected by survey at small and medium hotel sectors in the Northern part of Peninsular Malaysia. The study found that PMS is correlated to each of the four selected individual management control system (MCS) and also suggest that the development of PMS will influence the overall performance in the small and medium hotel sector through the acting of MCS.

Higgoda (2012), examined the effects of the planning systems on the management control systems, and organisational performance is less investigated in the context of not-for-profit/service-providing organisations. This study sheds light on the effects of the planning systems on informal management controls and non-financial organisational performance by investigating the Swedish university sector through a case study performed at the Royal Institute of Technology, where the data were gathered using semi-structured interviews with different administrators using the planning systems. The study presents the effects of ten planning systems on personnel controls, cultural controls and planning & decision-making controls. It further examines how the planning systems affect personnel development, workplace relationships, employee satisfaction, and other organisational performance measures. In this endeavour, the results of this study show how the personnel controls affect the personnel development, cultural rules affect the workplace relationships, and planning & decision-making controls affect the employee satisfaction, all in the light of different planning systems. Furthermore, it was also found out how other planning systems affect various organisational performance measures, namely, quality and efficiency of processes, quality of staff, employee health & safety, gender equality, premises and infrastructure, student attractiveness, quality assurance, research & education and external professional relationships. Finally, this study generalises the results found by investigating each planning system, which can be applied to Sweden's university sector/not-for-profit organisational sector.

Orozco et al. (2013), examined that organisations under tremendous pressure to deliver value believe that Management Control Systems (MCS) can help them in this task. MCS research has been done regarding design criteria, purposes, types, and factors influencing the adoption or use. Still, MCS's impact on the organisational capabilities that trigger performance is less known. The research question is what is the effect of MCS use in generating capabilities of Entrepreneurial Orientation and learning orientation capabilities in firms. The hypothesised relationship was supported by evidence from a study of 644 firms in Mexico. The main findings show that the type of MCS use is related to the capabilities of EO & LO, independently on its Size or industry and somehow against the theory, all relationships are positive. Resource-based theory (RBT) (Barney et al., 2011) and management control literature (Vandenbosch, 1999) are the context to explain the MCS role and relationship to capabilities.

## 4 Theoretical Framework

The theoretical framework of this study was Lindblom's theory of incrementalism in decision making. In this theory, Lindblom (1958), as cited by Gregory et al. (2005), stated that public policy decisions "are attempts to correct mistakes of previous policies". Lindblom described a policy analysis decision-making system based on incrementalism, and wherein one policy follows another. In this system, changes are evaluated against the present situation. Then as policies are implemented, the expected results from each implementation are anticipated and compared to the desired result Grewal & Compeau (2019). Lindblom (1959), described two approaches to public policy decision-making, one in which every possible outcome was analysed before the policy was adopted and one in which policy goals are limited to the actions undertaken to accomplish the goal. Lindblom asserted that the first method could not be used except for simple problems since all branches and sequels to a problem cannot be considered. While ideally, the second method (incrementalism) should be used, Lindblom observes that it is the first method taught and used, a technique that in its analysis "takes into account all "relevant factor[s]" (Omotoso, 2010).

Lindblom (1979), as cited by Omotoso (2010), relooked his views on incrementalism. He offers three methods of analysis when conducting decision-making. Each of these methods has its strengths and weaknesses. What happens, according to Lindblom, is that while decision-makers may seek to use each method as a standalone method, there are situations where one method is more appropriate than another. Lindblom, taken in total, provides a framework to evaluate public policy decision-making.

#### *Summary in perspective*

The company's management at every level is provided with overcrowded data in the form of redundant reports, which, in turn, adversely affects the overall control system. Good controlling techniques are used in a planned control system, which has a clear-cut organisational structure and supporting communication, accounting and reporting system. Due to this, proper delegation of authority and responsibility is becoming feasible. The efficiency of the existing control system is decreasing day by day as the present working system at the distribution level requires modifications. Still, due to inadequate finance, rules, regulations and restrictions of the Government, it is impossible to remove the present control system altogether.

Inadequate MCS (less number of responsibility centres and improper responsibility accounting) and lack of latest training requirements reduce the managers' interest in their jobs. Various vital activities in the company's distribution system, such as claims and refunds, recording of transmission losses and defaulting amount, checking of theft and malpractices, releasing of new connections and maintaining of financial records, are required to be computerised. However, the company is not in a position to computerise these applications because of the problems of finance and the availability of trained personnel. Other reasons, such as non-recommendation by the top management, the effectiveness of the existing manual system, fear of reduction, resistance to change, and the inability of the computers to handle distribution system-based problems, have not been considered responsible for the limited use of computers.

## **5 Conclusion**

Strategic management should consider budgets. Rules, regulations and government instructions, but other significant factors like the capacity of the employees and external environmental threats and opportunities are accorded less priority. The present Management control system is lacking in the area of personal control system mainly due to dissatisfaction amongst the employees, hence system at this point suffers from the problem of co-ordination. Management control with indicator financial control, budget control, marketing control and human resources control to maintain and establish a solid organisational culture, reflected by working in an innovative, risk-taking, and attention to detail. Management control indicators have the financial control, budget control, marketing control, human resources control, and monitoring served to increase compensation reflected in remuneration in the form of salaries, bonuses, and education and training facilities required to achieve organisational goals.

#### *Conflict of interest statement*

The authors declared that they have no competing interests.

#### *Statement of authorship*

The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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