Management Control Packages in a start-up context
– an explorative study of start-up companies in the IT-industry

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____________________________________  ________________________
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Abstract

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Title: Management control package in a start-up context – an explorative study of start-up companies in the IT industry

Background and problem: Sweden gets extensive attention from the outside world for its lucrative business climate and entrepreneurial spirit. This makes Sweden a preferable environment for start-up companies to operate in. Being a start-up company is connected to many challenges, one of them being operating in a constantly changing surrounding. Having good control systems in these firms could in this case be crucial for becoming successful. According to Alvesson (2004) management control is necessary and needed to make an organisation work. In the last decades the fact that control systems affect each other and can not work as separate elements have become highlighted. With the article Management Control As a Package - Opportunities, Challenges and Research Directions Malmi & Brown (2008) brings up the meaning of management control package. With this article as a base, the research question for current thesis has been formulated;

“What elements of the management control package get most attention in start-ups?”

Purpose: The purpose of the thesis is to analyse the phenomenon of management control packages in start-ups. To answer the research question, companies within the IT industry has been studied. By investigating these start-up companies that operates in Sweden the foundation for further research will be laid.

Method: The study is of an explorative character and lays the ground of further research within the area. By using a qualitative approach the primary data is collected through four semi-structured interviews and the secondary data through a systematic search through eminent journals within the management accounting area.

Results and conclusions: Based on studied companies a number of indications can be seen. Firstly, the indication of culture control being of great importance as a control element within the firms is seen. There is also an indication of the firms being controlled through short-term planning and non-financial measures through a top-down concept but with a great deal of communication with the rest of the team. The motivation for the employees’ lies in other factors than the strictly financial compensations, instead the non-financial motivations are predominant. Over time, there is an indication of implementing a more formal structure and management control as well as an increased focus on financial measures. There is a general indication of the firms being controlled in a more informal way.

Key Words: Management Control Package (MCP), Management Control System (MCS), Start-ups, IT, New Economy Firms (NEF), Company Culture
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Appendix:
A. Interview Guide
1. Introduction

This chapter describes the theme and background of the study. In addition to clarifying the chosen theme’s background a problem discussion is going to be conducted around the theme, leading into the research question. The chapter ends with possible limitations of the thesis.

1.1 Background

In the past five years Nordic tech companies were sold for a total of 2.6 billion EUR and more than half of these companies originated from Sweden. Sweden gets extensive attention from the outside world for its lucrative business climate and entrepreneurial spirit, despite its relatively small population and high tax levels (Pember, 2014). In recent years, Swedish tech start-ups have gotten a large amount of attention, both in Sweden and internationally, due to successful companies such as Spotify and Skype making their way through the competitive market. This boom of IT firms triggers the curiosity in the tech start-up industry and is one of the factors that make it interesting to study them more closely.

Management control is necessary and needed to make an organisation work (Alvesson, 2004). In companies today, a wide range of different control systems are used to control the operations. There are endless options when it comes to tools for managing and controlling different parts of the organisation. Management control systems (MCS) as a package is therefore interesting, to see how companies combine different elements of the MCS to control their business.

Being a start-up company the control and ownership may not be separated, which could lead to more of an “ownership culture” (Sandelin, 2008). As the company grows the management control systems becomes a more important factor. The development of the firm, and the need of hiring more people together with the operations evolving, the small team of founders are no longer able to handle all tasks related to both administration and operation in the company single-handedly. This makes it necessary to establish more formal management control systems, to keep track of important events in the company and not let the growth make the company spin out of control (Davila & Foster, 2007).

Malmi & Brown (2008) discuss the phenomenon of management control as a package in their article Management Control As a Package - Opportunities, Challenges and Research Directions and puts up a framework for how to observe management control elements and how they interact. They propose that the control elements used by an organisation are not able to work single-handedly and that for the control system to be efficient, the elements must be combined. The proposed framework by Malmi & Brown (2008) will act as a basis for this study.
1.2 Problem Discussion

Management control system as a package (MCP) has existed for decades in management accounting literature, and there is still research being done around the phenomenon. This makes it interesting to investigate the subject further, in a specific context.

There are several challenges connected to managing a start-up company. Keeping the business alive at its early stages when the resources are scarce and the market might not be fully evolved and ready for the product, makes the management control difficult and different from more developed firms that have been running their operation for a longer period of time. For example, typical challenges that tech start-ups face is keeping up with the constantly changing technology, choosing the right partnerships and the recruitment of competent employees (Fallon, 2014).

As start-up companies grow, and there is a need for more people than the dedicated founders and there is a challenge in finding people with the right competences, as well as to attract them to the growing start-up firm. A common trait in a start-up company is the inability to provide as high rewards as bigger firms are able to. Not getting high financial compensation requires other reward factors to motivate employees to stay as well as to attract new staff to the firm (Andruss, 2012).

The many unique characteristics and challenges of start-up companies in their early stages of the life cycle, some of them mentioned above, triggers the interest to investigate the management control package in these types of firms. Since the circumstances and conditions differ from other companies that have developed over time and established a stable and well-functioning organisation, it becomes interesting to see what characterizes the management control package in a start-up. The fact that the IT industry is a field where innovation and technology is in constant change adds to the curiosity in the subject. As start-ups within the IT industry often are fast growing, it becomes interesting to investigate how the use of the MCP develops over time as the company and its operation grows.

1.3 Research Question

Based on the background and problem discussion above, the following research question for the study has been formulated:

“What elements of the management control package get most attention in start-ups?”

In addition to the research question parallels will be drawn to how the control systems within the studied companies change over time when growing and developing into bigger firms.
1.4 Purpose

The purpose of this study is to study the phenomenon of management control package by investigating what elements of the management control package are the most important in start-ups. To answer this question, we have chosen to observe companies within the IT industry. The aim is to describe the control elements they choose and if there are patterns to be seen between the interviewed companies. The study is of an explorative character and aims to lay the foundation for further research within the area.

1.5 Limitations

The choice of concentrating on IT-start-ups affects the possibility to apply the outcome of the thesis onto other contexts. Our study is limited to companies located in Sweden and to the Gothenburg area. This restricts the results to focus on Swedish conditions as well as the extent to which we can generalize the results and apply the conclusions on a wider range of firms. By interviewing four people at different firms, the outcome is to be used for further research within the field, since the concept of the thesis is exploratory.
2. Methodology

In this chapter the chosen methodology for the thesis is going to be described. It contains both an explanation of the production of the theoretical framework as well as the empirical data. The chapter ends with discussing the quality of the thesis and what effects the choices may have led to during the process of writing the thesis.

2.1 Research approach

The main objective of this study is of an explorative character. Conducting an explorative research includes being flexible, such as changing course midstream if necessary (Feinberg, Kinnear & Taylor, 2013). Since current thesis began being written when we were unfamiliar with the subject, it has been preferable to be flexible as the outcome can change course unexpected. The choice of doing a narrow and specific range of interviews fit the chosen research method, an explorative research serves as a basis for further research within the area (Feinberg, Kinnear & Taylor, 2013)

Deciding how to approach a research study, and if to choose to conduct a qualitative or quantitative research the research question, which in this case is “What elements of the management control package are the most important in start-ups?”, is the main guideline for the decision. According to Jacobsen (2002) a few standpoints are needed to be taken, such as;

- How is the collection of data going to be carried out?
- How are the sources of the data going to be selected?
- How is the analysis of the data going to be carried out?
- How accurate are the conclusions made in the thesis?

By clarifying the questions above the approach of the research can be chosen. In current thesis the issue chosen to be investigated was clarified as a first step. Thereafter the decision of using a qualitative research approach was made, this to be able to get a better understanding for the chosen theme and phenomenon with the most appropriate approach. When conducting the research the primary data collection was made through interviews with the selected firms. By conducting interviews there has been a need of being flexible, both regarding time and place for the interviews, as well as being open minded of what the outcome of the interviews would be. Conducting a qualitative research requires that the authors are well aware of the process not being a straight line. It is also important not to be biased before collecting primary data, since the outcomes can become inaccurate as a result (Jacobsen, 2002).

As a first step, a review of previous research within the area was conducted to become more familiar with the field. This made it possible to sort out some keywords before beginning with the interviews. This is a method that Yin (2011) advocates, meaning that the qualitative
study’s effectiveness depends on how well the researchers know the previous material within the chosen topic before collecting primary data.

2.2. Collection of data

2.2.1 Primary Data

When collecting primary data the researchers gather data from the original source. This can be done through interviews, observations and/or questionnaires (Jacobsen, 2002). In current study the primary data was collected through interviews with selected firms. Face-to-face interviews were held since this makes it easier to read body language as well as it reduces the risk of the respondents giving untruthful answers (Frey & Oishi, 1995).

To get in touch with possible interviewees we firstly contacted Chalmers Innovation, a business incubator connected to Chalmers University, who provided contact information to suitable companies. As a next step the chosen firms were given a short summary of the theme of the thesis and what was expected from them. From seven contacted firms, four were willing to be interviewed.

The interviews conducted were of a semi-structured character. Having no structure to the interview at all could lead to complex data impossible to process and to make understandable (Jacobsen, 2002). A semi-structured interview is characterized by having open questions, giving the respondent the possibility to give longer answers of a narrative character. It is important to have some knowledge of the subject before stepping in to the interview, which is why an interview guide with general questions within the area of the study is helpful. These general questions can then lead to detailed descriptions from the respondent (Danielson, 2012).

The objective of the second contact with the chosen firms was to determine a time and a place for where we could meet. We also sent them a summary of the questions and topic on which the interview was based upon. This to give them a rough idea about what was going to be talked about, as well as a possibility to prepare if they wished to. In all cases we entrusted them to decide where to conduct the interview, to avoid a constrained place where the respondent could feel uncomfortable. Each interview were held at the respondent’s office, which gave us the opportunity to meet some of the staff as well as get a feeling of the environment of the office.

Before starting the interview we asked permission to record it. Having to take long notes during the interviews would be distracting for both the respondents and us. Losing eye contact for instance could lead to losing the comfortable and easy conversation that we wanted to reach during the interviews. When not recording the risk of forgetting what was said during the interview is greater as well as losing the opportunity to quote verbatim (Jacobsen, 2002).
However, some notes were taken during the interviews in case there would be any technical issues.

2.2.2 Selection of firms and respondents

The focus of the study is on start-ups with delimitation to the IT industry. Thanks to contacts within Chalmers Innovation, a business incubator investing in start-up firms, help was received getting in touch with suitable companies. The goal with the selection, except for the firms to be characterized as start-ups and operating within the IT industry, we were looking for respondents that could give us valuable information within the area we were investigating (Jacobsen, 2002). Due to this we held three interviews with CEOs of the selected firms, as well as one interview with the person responsible for the business development of the company.

2.2.4 Secondary data

Jacobsen (2002) describes secondary data as data that originates from information gathered by other researchers. Collecting secondary data is necessary for every study, to be able to reach a better understanding of the chosen topic of the research.

When searching for appropriate literature and previous research for the study, a systematic search was conducted. The systematic search was conducted through four eminent journals within the management accounting area as well as two journals within the area of entrepreneurship. These journals were “Accounting, Organizations & Society”, “Management Accounting Research”, “European Accounting Review”, “Accounting, Auditing and Accountability Journal”, “The Journal of Entrepreneurship” and “Journal of Small Businesses and Entrepreneurship”. When searching for appropriate material in the journals, the key word Management Control Package was used and we limited the search to material produced in the last ten years. When finding certain authors or articles to which many of the read articles referred to, these authors and articles were investigated as well, despite the previous limitations. This is an approach supported by Bryman (2011) who claims that a review of existing material within the area of the research gives a deeper understanding of the subject at hand and enhances the credibility of the study.
Table 1. The result of the systematic review of previous research and literature is described in the table above.

The systematic search resulted in the use of four articles in addition to Malmi & Brown’s (2008) article *Management Control As a Package - Opportunities, Challenges and Research Directions*. These five articles are referred to as *Previous research* in the *Theoretical Framework* chapter.

### 2.3 Quality of the study

#### 2.3.1 Validity

When undertaking a study it is important to consider the validity of it, which aims to deliberate whether what is being measured is what should be measured, as well as considering if the results can be transferred into other contexts (Jacobsen, 2002). We used an external party familiar with the field of the chosen subject, to help us find appropriate respondents who could participate in an interview. By choosing to do a thesis of an explorative character, the paper aims to get nuances and concentrate on only few unites. This in order to lay the foundation for further research within the field (Feinberg, Kinnear, Taylor, 2013).

#### 2.3.2 Reliability

Weighing the reliability of a study, the collected data’s reliability is considered (Jacobsen, 2002). When collecting primary data it is important to not let coincidences impact the outcome. Using a semi-structured approach, with open questions as well as us staying unbiased, the respondent was left to answer as honest as possible. By letting the respondent...
decide the time and place of the interview also reduced the risk of letting coincidences impact the result (Jacobsen, 2002)

By conducting a comprehensive systematic search when collecting secondary data for the study, it can be considered reliable (Bryman, 2011). When weighing the accuracy of the source of chosen articles, four journals reckoned as eminent within the management accounting area was used.
3. Theoretical Framework

In this chapter the theoretical framework on which current the thesis is based upon is going to be described, as well as previous research within the area. The goal is to define useful expressions as well as important information to understand and support the study. The theory constituting the base of the thesis is going to be presented, which is Malmi & Brown’s (2008) article Management Control As a Package – Opportunities, Challenges and Research Directions.

3.1 Management Control Systems (MCS)

Control systems are both necessary and needed in organizations. As well as many other expressions, MCS have various definitions. Several of these definitions appear to agree on the fact that MCS are established to yield power and/or to influence behaviour, in order to ensure that enough resources and direction is given within the organization for the employees to actively strive towards the objectives of the firm (Alvesson, 2004). Although the definitions of MCS have similarities there is a problem with the inconsistency, since this affects how to interpret various research results (Malmi & Brown, 2008).

In this thesis the description constructed by Malmi & Brown (2008) has been chosen, where they distinguish MCS from decision support systems. According to them a decision support system is established only to support the employees when making decisions, whilst MCS are there to influence the employees’ behaviour. Therefore, the important question to be asked when distinguishing if the case at hand should be considered a MCS or a decision support system is; WHO and HOW?

3.2 Management Control System as a package

More than 30 years ago Ouchi (1980) raised the question about the need for the management control systems to work as a package. Today the idea that MCS cannot work isolated as separate elements is widespread. Even though there are many reasons for studying the subject more closely, there are challenges in doing so, three of which Malmi & Brown (2008) mention in their article. Firstly, they refer to the issues connected to defining MCS. Secondly, they acknowledge the issues with deciding what is included in a MCS package and deciding how the different elements of the MCS affect each other. Lastly they discuss how the linkages and relationships between the different components of the MCS should be studied to capture the underlying phenomenon, since the complexity of a MCS package is great in most firms today.
3.2.1. Cultural Controls

At the top of Figure 1 are cultural controls; this is to imply that these controls are wide yet delicate. Within cultural controls Malmi & Brown (2008) include clans (Ouchi, 1979), values (Simons, 1995) and symbols (Schein, 1997). Clans are described as the internal culture or subcultures created through ceremonies and/or rituals performed within the organisation (Ouchi, 1979). Values are based on belief systems (Simons, 1995) and works in three levels; firstly in how the company recruits new staff based on how well the candidate’s values agrees with the ones of the existing organisation. Secondly when employees, because of socialization, change their values to fit to the values of the organization and lastly when employees act according to certain expected values without necessarily agreeing with them on a personal level (Alvesson & Kårreman, 2004). Finally, symbols are explained as how the firm creates discernable expressions to stimulate a certain culture within the company. For example, this can be expessed through having an open plan office to stimulate communication or by having a certain dress code to appear more professional.

3.2.2 Planning

Planning can constitute both a MCS and a decision support system, depending on how it is used. If the employees are involved in the planning processes in order to influence and affect their behaviour, it can be seen as a MCS. However, if the managers are the only ones involved
in the planning, creating certain frameworks and goals for the employees to follow, it would be seen as a decision support system.

### 3.2.3 Cybernetic Controls

One way to define cybernetic controls is “a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the system and modifying the system’s comportment” (Green & Welsh, 1988, p. 289). Depending on how the cybernetic controls are used, they could take the form of either a decision supporting systems or a MCS. Within the cybernetic control in the typology, Malmi & Brown (2008) have included budgets, financial measures, non-financial measures as well as hybrid measures (a combination of financial and non-financial measures).

### 3.2.4 Rewards & Compensations

Rewards and compensations are a way of motivating employees and aims to affect their behaviour and effort to a given task (Bonner & Sprinkle, 2002). Although this part of the model is closely related to cybernetic controls, Malmi & Brown (2008) have chosen to present it separately since the purpose of the rewards can be linked to different behaviour influencing compared to controls.

### 3.2.5 Administrative Controls

At the bottom of Malmi & Brown’s (2008) typology the administrative control is described. The administrative controls contain organisational design, governance structure as well as policies and procedures. Organisational design is described as the way in which the organization encourages different types of contacts and relationships within the firm (Alvesson & Kärreman, 2004) and can be influenced by the manager to stimulate a certain behaviour (Malmi & Brown, 2008). Governance structure represents the way in which the management and formal lines of authority of the company is structured (Abernethy & Chua, 1996) for example creating meeting schedules and deadlines, to direct and influence the behaviour of the employees. Policies and procedures is the bureaucratic part of the firm and include for example standard operating procedures, policies or code of conduct (Malmi & Brown, 2008).
3.3 Previous research

3.3.1 Management Control Systems in a start-up context

According to Antonio Davila & George Foster (2007), management control systems are an important factor when a company is starting to grow. As a company grows larger, with evolving operations and an increasing need of hiring more people, the small team of founders are no longer able to handle all tasks themselves, for example both the administration and operations in the company. This makes it necessary to establish more formal management control systems to keep track of all departments of the company, not letting the growth make the situation spin out of control. Management control systems are also necessary to enable information flows within the company, as this is a difficult task to do informally when the firm grows larger. As a conclusion, a company’s size is an important factor when considering the introduction of management control systems and to what extent it is applied.

In relation to the statements made above, Davila & Foster (2007) declare that small businesses commonly are in no need of the most formal and advanced management control systems. Empirical evidence shows that the size of the company is linked to the extent to which the company adapts management control systems. Since these types of control systems are supposed to overcome the problems with personal and interacting management styles that are non-efficient in bigger companies, this is not a significant issue in smaller companies since they can keep a more informal management style.

Further research around the phenomenon of management control systems within the field of innovation and entrepreneurship has been done by Davila, Foster & Oyon (2009). In the article Accounting and Control, Entrepreneurship and Innovation: Venturing into New Research Opportunities they highlight the importance of having management control systems in innovation and entrepreneurial firms and discuss if this could inhibit the creativity of the employees. Fariborz Damanpour (1991) offered empirical evidence showing that management control systems could be harmful when used in these types of companies. According to Davila, Foster & Oyon (2009) that is not the case. They support their recent studies, that to be able to grow as a company management control systems have to be introduced in these firms as well. It is suggested that to be able to create a motivational environment, as these firms need to do, management control systems as objective-setting processes, performance measurement and compensation schemes has to be introduced. Davila, Foster & Oyon (2009) claims that although the innovation and entrepreneurial firms are in no need of the most formal management control systems, the fact that dynamic firms also need some kind of management control system is clear. They opine that management control systems are a key element within these firms as well, especially to be able to grow.

Mikko Sandelin (2008) states that more formal management control systems facilitate growth and that soft and more informal controls typically characterize small businesses. The different control elements play different roles in the company’s operations but linkages between them
make them work as a package, which is similar to the statements made by Malmi & Brown (2008). Sandelin (2008) investigates the linkages between cultural, personnel, action and results control in a growth firm context and makes a number of observations. For example, he finds that scarce financial resources limited the growth of the firm in the earliest stages of its life cycle and that in the beginning the ownership and the control were not separated, creating an “ownership culture”. He also finds that the culture worked as a guide when recruiting new personnel. The cultural, personnel and action controls worked together harmoniously. Sandelin (2008) also finds that when the observed company grew, the management control started to focus more on financial results. He states that none of the control elements would be sufficient on their own, they must be combined to be able to affect behaviour within the organisation. He also states that the efficiency of the MCS package depends to a large extent on the internal consistency between the different elements.

Granlund & Taipaleenmäki (2005) study in their article the practices of management control in new economy firms, with a corporate life cycle perspective. New economy firms, or NEFs, are defined as fast growing firms that operate in the information and communication technology business, characterized by their R&D and knowledge intensity as well as their venture capital financing. The new economy firms are often Internet based. The authors see differences between control practices in NEFs compared to firms that are active in more traditional operating environments. Through the article, Granlund & Taipaleenmäki make a number of observations. One of them is that typically, new economy firms allocate very limited financial resources towards their financial control activities. The interest within the firm simply lies in different issues than the accounting system. Another typical trait for NEFs is that investments in administrative systems are not considered as crucial, when the authors observed what types of financial control activities are most preferred, the result was a basic budget and reporting activities. The task that received the least amount of attention in NEFs was the ones that in other firms is usually seen as the core of financial control, such as strategic planning, performance measurements and internal financial analysis. Granlund & Taipaleenmäki also express the importance of considering the time horizon of management control in new economy firms. In these types of companies, there is a strong future-orientation and the planning has a distinct short-term focus, especially in the early stages of the company’s lifetime. In the early stages, NEFs operate more as reactors to the constantly changing environment where uncertainty prevails. In general, Granlund & Taipaleenmäki highlight the importance of considering the phase of the company’s life cycles when conducting a case analysis.
4. Empirical Findings

Four start-up firms within the IT industry have been interviewed. All the interviews were conducted on the basis of the same question sheet (see Appendix A). For each of the interviews a semi-structured method was used. The outcome of the interviews is presented in different sections, one section for every firm. Every section begins with a presentation of the company in question, followed by a reproduction of what was said in the interview.

4.1. Halon Security

In 2003 four men with passion for technology and computers founded Halon Security and the idea was to create a protecting firewall. Today they are ten employees and the idea has developed to focusing on the creation of a more extensive software helping their customers to keep phenomena such as spam, viruses and phishing away. Their customers are mainly e-mail platform hosting providers. Despite the fact that the firm was founded twelve years ago, it possesses many of the characteristics associated with a start-up firm because of its development and growth in the last three years, which was a result of introducing two new investors in 2012.

“We had an urge of reaching customers outside of Sweden, something we could not do just the four of us. This made us turn to Chalmers Innovation and Almi Invest to receive financial resources.”

The interview with Halon Security was held with Peter, the CEO of the company. He began by giving a tour around in the bright office of Halon Security. The office has a number of larger rooms, one for each of the departments as well as a conference room that is used for situations such as meetings with external parts. Since the conference room was busy the interview was conducted in the kitchen area, which is an open area in the middle of the office.

Having a kitchen in an office can lead to kitchen rules such as a cleaning schedule, something that is not necessary at Halon Security where the policy “treat others as you want to be treated” is dominant. The idea of having strict rules, written by higher ranked people for the employees to follow is something Peter considers non-efficient. Being a firm within the IT industry, they do have an IT security strategy, but no other policies and procedures to be followed. However, as a result of the company growing and expanding to more countries, the likelihood of policies and rules being set up is large according to the CEO.

Another result of growing and being financed to a large extent by external investors was that the change in the administrative structure of the firm was expected. From being four founders handling all processes in the company, there is now a need of taking other interests into account when making decisions connected to the firm and its operations. A board of directors was established consisting of two of the founders, one representative from each of the
investment firms and an external chairman. Another effect induced by the introduction of the new investors is that the executive committee has become more formally structured.

“It was easier to make quick decisions before, just being the four founders. We were in no need of having more formal decision making processes as we do today. Now it is a essential to have more people’s interests in mind”

As the company has grown the need of hiring new staff has emerged. When recruiting new staff members, finding people with a genuine interest in the industry is the key, and having previous knowledge is beneficial. Finding people with a personality that matches the firm’s values is also crucial, such as being a team player.

“Of course the personality plays a big part when recruiting new staff. Usually you can tell by your gut feeling if someone will fit into the Halon team or not”

One tradition within the firm, with the objective to make the new members feel welcome as well as create a team spirit among the colleagues, is the kick-offs that are arranged twice a year. Another ritual present at the office in Gothenburg is the weekly meeting with the whole crew, by making the afternoon coffee break longer every Friday. During the meetings they discuss the events of the past week, as well as make plans together for the upcoming week. Due to the long relationship among the colleagues there is sharing of personal matters during the meetings as well.

“Even though we have an agenda for the meetings we keep an open and relaxed attitude, also talking about our weekends and hobbies”

Due to the more formal structure of the firm, after the introduction of the new investors, there is a great need of communication between the owners, founders and departments to convey the goals of the firm. When setting targets there is a dialogue between the staff and the executive committee, although there is no written planning process being followed. Depending on department and goals, the dialogue between the executive committee and departments operates variously. The sales and marketing department have meetings with the executive committee when deciding objectives together, using last year’s outcome as an indicator of what to aim for. At the development department the dialogue is first conducted between the executive committee and the manager of the department, thereafter the managers communicate suggested objectives to the employees, who can put there views and thoughts into it. When deciding objectives it comes down to what the market expects, what the firm and owners expect as well as what the developers themselves want to create.

“If I would try to tell the developing team what is to be done, it would probably do more harm then good, since I myself is not familiar with how the technique works”
Goals set at Halon Security are mainly focused on non-financial measures. Every year they establish a budget, this to support the marketing and sales departments. Letting the sellers be a part of the budget process, they can influence future sales targets. However, despite the importance of the non-financial measures the implementation of financial measures and targets has been increased in recent years, having left the earliest stages of the company’s life cycle behind. When introducing the new investors, focus has been drawn more and more towards financial targets and the process is expected to continue even further. The most important goal at Halon Security at the moment is the number of users of their product according to the CEO.

“It does not matter if we create a great product if no one is using it”

The number of users is also seen as the greatest motivational factor for the employees. The feeling of having created a product that is appreciated and used by prominent operators within the field is a factor that motivates the team to keep working hard. Having a mix of both financial and non-financial goals is important, although due to the characteristics of the specific industry, in which Halon is operating, the non-financial goals are valued higher. To motivate the staff to reach targets, there is no need for an incentive plan.

“Having a big bonus is not everything, but knowing that the “big fish” within the target market uses our product is. And of course, we always keep cola in the fridge for the crew”

Monthly salary and pension is given, but the pride in the product is what drives the employees. Creating a product used by large and successful customers, as well as winning awards beating other bigger firms in the same industry pushes the employees to learn and grow bigger. According to Peter, the small motivations are the most efficient ones.

4.2 YouPic

In 2012 YouPic was founded by four men as a result of being part of a ten-week start-up program through Chalmers University. The product they provide is a website intended for photographers and those interested in the area, where they can share pictures and get tips and inspiration from other enthusiasts. The community has about 200 000 users worldwide. Today, the website is free of charge but the plan is to start implementing some sort of charging system in near future.

Entering the YouPic office, there is a large room with a big table where the whole crew sits together with their individual computers. The interview is conducted in the open cafeteria downstairs and the respondent, Navid, is one of the original founders as well as the CEO of the company. The four founders did not know each other before entering the start-up program but had a common interest in photography and made it their mission to make the company successful. They continued working with their idea even after completing the program, unlike
many other companies and projects that usually dissolved after completing the ten-week camp. The whole group of founders are still active in the company today, making the team consisting of five directly employed and three extras.

Since YouPic does not charge their users at the moment, there is not any revenue coming in. Instead, the business is financed by investors and they have collected around eight million SEK through several investment rounds. The biggest challenge along the way has been to survive with the small amount of financial resources and to motivate people to stay at the company with the on-going promise that the benefits will come later. The hunt for investors and financial resources has also been a major challenge, with long negotiations and lead times connected to the processes.

Within YouPic there is a distinct culture that to large extent determines the way of working and making decisions. The fact that the crew has heritage from several different parts of the world creates a wide combination of values and ideas. The feeling of being a bit of an underdog has been lingering ever since they started and has created a self-confident and bold attitude, at the same time as delivering good results. The company does not have any strict policies or rules to be followed, the team members have a large amount of freedom and personal responsibility. They can control their working hours and way of working themselves, as long as they deliver results and do what is expected of them.

“To summarize, we as a company are relaxed and cocky, but effective. This is usually the general attitude of start-ups, relaxed and not too serious.”

Since YouPic was founded in 2012, there have been changes in for example the governance structure and how the firm is managed. In the earliest stages of the company’s lifetime there was basically no management structure at all, the ownership culture was strong and the four founders controlled all parts of the business single-handedly. However, as the company grew and investors got involved there was a board of directors set up and as a result the management structure developed into being of a more formal and professional character. The board of directors consists of five people, one of them being the CEO and the others are investors as well as experts within different parts of the specific area of the company. The board meet every six weeks to discuss and evaluate the company’s progress and to set goals for the business to reach in the near future. In other words, the goals are set in a top-down manner. After the planning is completed and the goals are set they communicate the objectives to the rest of the team, where they have the opportunity to brainstorm and discuss ideas on how the goals are going to be reached in the best possible way. Through this process, the whole team is involved in the planning.

The employees have different areas of responsibility, which creates subcultures within the team depending on their specific skills and area of responsibility. For example, there is a designer, back- and front-end developers and a head of marketing. All of these have different skills and areas of expertise and therefore also different personalities and preferences. As an example, Navid highlights the unique culture of the developers where they are often in the
need of working by themselves and are not as comfortable in social situations as other employees in YouPic. This is something that the CEO has to adapt to in order make everyone feel comfortable at work. As a tradition the crew goes out for a beer on Fridays, an event that all of team members attend.

“My job is to make everyone in the team feel comfortable, no matter what personality they have or what they like to do”

The planning of operations has a short-term focus, the furthest that YouPic has planned in detail is to February 2016. The company has got a wider road map in mind and an idea of where they want to be in the future but the way to get there is still unknown. The market in which the company operates is described as fast moving and often irrational, which makes it inefficient to apply traditional business models and detailed long term plans for the future. There is no use in planning long-term, since they do not know what the market or the company will look like by then.

Since YouPic does not have any revenue coming in as of today, the goals and targets are focused on non-financial measures. The non-financial measures in focus are for instance the number of users and the growth rate in new members. The CEO sees a general trend within their specific industry that growth in terms of the number of users is more crucial than the growth in turnover and profits. This is one factor that makes the non-financial measures of greater importance than the strictly financial ones. As an example, the budget set up by the board of directors when new investors are introduced is merely a rough plan and works more as a guideline than a strict plan to be followed. The goal is to survive with the financial resources they possess at the moment and ensure that the right priorities are made to be as efficient as possible. However, as the plans of capitalization of the website exists and are going to be implemented in the near future, as well as the company growing larger, the CEO predicts that the use of financial goals and targets most likely will be introduced as a result.

When recruiting new people to YouPic an important factor is personality, that the new team member will fit into the company culture and their way of working. To have the right technical knowledge is also of importance, especially when recruiting to the programming and development team. Since the company is still in its start-up phase there is a great amount of uncertainty involved, which makes it crucial for the whole team to be highly motivated to make it work.

“When recruiting, I always look for chemistry. You can often feel after a few seconds what kind of person you are dealing with, if he or she will fit into our team and our company culture”

A big challenge for a start-up firm, as described by Navid, is how to motivate the employees enough to make them stay within the company. The company cannot promise high financial rewards and compensations in the same way that larger more established firms are able to, which creates the need of alternative motivational factors. In the case of YouPic, the biggest
motivation for the team comes from the pride in the product they have created and the loyalty towards the users of it.

“The motivation to stay, especially in the beginning, was focused on our community. We could see that people around the world liked our product; we had created something that people loved. As soon as we made changes we got feedback from users telling us what they thought”

The focus has always been, since the very beginning, on the product and the fact that people around the world appreciate the product they provide and would miss it if it was taken away from them. The fact that the employees can easily see the results from their work in the form of constant feedback from the users adds to the feeling of loyalty and responsibility towards their users.

4.3 Kombridge

In 2010 four men founded Kombridge. The main product of the firm is their software, but to survive during the start-up period they also do consulting for other firms, helping them by providing expert knowledge within their technical area. The target customers for the software are production companies, helping the firms to connect their products with each other. This means that when for example a trash container is full, it could send a signal to the garbage trucks so they know when to empty it. The objective of the solution is to make everyday life easier, as well as saving time and money on unnecessary workloads. Kombridge sell subscription-based solutions to their customers, by offering full time service for the connection of the products. Doing this, Kombridge has a large service centre and they charge by the numbers of connected products.

When entering the office of Kombridge we are met by open spaces and light colours. In the big open room where the whole workforce shares office there are two tables with computers; one table where the sales department sit and one table where the engineers sit. Showed into where we are going to conduct the interview we get offered coffee as well as a game of flipper, which is placed in the conference room. The respondent, Patrik, is one of the founders as well as the managing director of the company. Before starting Kombrige he and the other founders worked with similar software solutions but where they worked with connecting cars with each other. This meant that they were already familiar with the technique. After ten years within that firm, the founders of Kombrige felt that they, as well as the market, were ready for the technique to be used for a wider range of production companies, which led them to start their own company in the form of Kombridge.

Being a start-up company is connected to many challenges. One of the biggest challenges that Kombridge have faced is to survive in a world without a fully existing market. When the company was founded, there was no real demand for the product so to wait for the market to mature was tough.
“You could call it the Valley of Death. It was hard to find our way forward. It is first now, in the last few years, that the market has matured and the demand is starting to build up”

Although there have been difficulties, the firm has grown since they first started in 2010. Nowadays there are five hired staff, whereof three are the original founders. In addition to the primary workforce there are seven people working as sub-consultants. Since they started there have been little to no changes in the internal structure of the firm. There is a board of directors consisting of a founder representative, an external investor representative as well as an external board member whose task is to ensure that all interests are taken into account. At the board meetings, business goals and targets are set and a budget is established. They work with a top-down concept, although it is important to keep a dialogue with the staff when communicating the goals.

“We try to find goals through a dialogue with everyone within the firm, so that they have the opportunity to say what they think. Even though we use a top-down concept, it is not without dialogue along the way when setting goals”

The business goals set in the firm consist mainly of financial targets, such as the numbers of employees, turnover etc. Other goals, e.g. technical goals, are not decided through a top-down concept. Instead these goals are set by the departments themselves. Since the industry in which Kombridge is active does not have a fully developed market as being a new territory, there is no “best business model” for the company to follow. Instead they try different types of business models to see what suites them best, adjusting it along the way. This is a big reason why they do not plan more then six months to a year ahead, since they do not know exactly in what direction the market and business is heading.

Even though there has been little change in the internal structure of the firm, there have been changes connected to growth, e.g. recruitment of new staff. When recruiting new employees the most important quality is not connected to having the best grades or degree, but that the personality fits the company culture.

“Having the right personality and to be able to work in a team is the most important quality for us. We do not look at grades at all”

When recruiting they try to include the whole team when deciding if the new person will fit in or not.

“This is a person that you can live with eight hours a day, without wanting to kill him/her? If the answer is yes, we look into their qualifications”

To find the right personality there are desirable features, e.g. being unpretentious, being able to communicate well with customers and being open minded and innovative. Being able to
read the customers’ reactions when selling a product is important both for sellers and engineers, since Kombridge have to let the market develop their product in the right direction. Being such a small firm, everyone also has to have knowledge in all areas of the company’s operations. However, as the firm grows they will become more niched within their different areas of expertise.

After recruiting new members to the workforce the existing team, without knowing it, usually exaggerates the culture of the firm such as the everyday wrangling between the sellers and the engineers. In addition, to get the new member to feel like they are a part of the team, challenging him/her in a game of flipper and going for a beer is important for the culture of the firm.

One challenge for start-ups is to motivate the employees, something that Patrik partially agrees on. However, his idea of why employees stay at Kombridge is because they are not forced to be there.

“The reason they stay is because they have the possibility to go whenever they want to. We do not have binding contracts stating how long they have to stay with us”

Informal and non-financial rewards such as providing the employees with challenging tasks and by noticing when they do a good job is the key to motivation within Kombridge according to Patrik. Making everyone feel like they are a part of the team as well as adding something to the firm, they will stay motivated. Not having a formal incentive plan is a part of the culture, and being an employee at Kombridge is explained as wanting to work, not just wanting to have a job. The atmosphere at Kombridge is open and the employees have a large amount of personal responsibility. There are no written policies and common sense is the key to understanding how to act at the office. If problems occur and there is a need to solve it during a weekend the whole team is there to assist, and spontaneously they encourages each other with e.g. bringing pizza as an incentive.

What to expect of the future is hard to say. Growing as a business is what is most important to Kombridge, to increase the turnover. To be able to grow and develop there cannot be a fear to fail or try new things. When a project does not turn out as planned, the key is to learn from the mistakes, have a discussion about it and move on.

“It is a good practice to sit down and talk about the strategic goals, but the financial goals are easier to handle”

The financial business goals are to be reached but the non-financial and strategic goals are more difficult to set due to the uncertain environment in which the firm operates. However, there is sometimes a need to enforce the strategic goals as well, to be able to have a vision and a mission for the future.
4.4 Tajitsu

In 2011 two men founded Tajitsu with the help from Chalmers Innovation. They provide services in predictive analysis of customer data, meaning that the behaviour of customers can be predicted and the marketing and sales approach adapted thereafter. For instance, the behaviour of a customer using a website can categorize him/her as a valuable customer or a risky customer who is about to leave the website. With that information at hand, the marketing can be targeted and adapted to suit the specific customer. Tajitsu has got its customer base spread around the world for instance in Sweden, Malta, South Africa and the US. The company has ten employees and each team member has received a share in the business.

The office of Tajitsu is described by the respondent Per, who is the business developer as well as co-owner of the company, as being divided into three separate rooms. In one large room the developers and programmers sit together with individual computers at separated desks. In the smaller room, the executive committee sit and next to them there is a conference room, which can be used when necessary. The interview was held in one of the conference rooms located in the building where Tajitsu has their office, which is provided by Chalmers Innovation. Per started working at Tajitsu about a year ago, previously having several years of experience as an investor.

Being in a start-up phase, Tajitsu is financed by external investors. As of today, there are three main investors in the company; one from Chalmers Innovation, one angel investor from Borås and one from the US. Due to the fact that the company is largely dependent on external funding has brought some challenges along the way. The investors often have a different idea of how to run a company and since they hold the position of power against the founders and entrepreneurs it is not uncommon that the entrepreneurs follow every slightest hint they give, loosing their original ideas and visions along the way. This has been a challenge for Tajitsu, developing their product to be as good as possible without loosing their own ideas when the investors speak their minds.

“The biggest challenge has been to get from the original idea to where we are today. When introducing external investors, it is common that the entrepreneurs run in the direction of the money without thinking further. That was one of the reasons that made me leave the investor side, we had to much control over the entrepreneurs”

Another challenge connected to the introduction of external investors is the way in which the original team loose their ability to keep track of every detail in the company’s operations. In the beginning, the small group of founders had control over everything in the company but since the introduction of investors, they must now take more people’s interests into account. The decision-making is far more sensitive today than it was in the earlier stages of the company’s lifetime.
The culture of Tajitsu is unique and distinct. The product they provide is highly advanced and has the need of skilled engineers who have a deep knowledge in programming and encoding. This creates an engineering focus internally with a great amount of respect for each other’s work. The company is described as academic and mature, at the same time as being up-to-date and relaxed. The team members know each other well, creating a relaxed and comfortable atmosphere at work. The company has few policies and rules that must be followed. The employees have a great amount of freedom when it comes to working hours and workplace, they can come and go as they choose and sit where they like, as long as the required results are delivered.

“We are a thinking and analytical company but with a touch and mix of making it simplified for the users. There is an engineering focus and academic feeling internally with a lot of respect for each other’s work”

The company consists to a large extent of developers, which has created subcultures and internal groups within the firm. The culture and personality of the developers and programmers are described as unique, being in less need of social interaction compared to rest of the team as well as having the need of working alone. This is something that has to be taken into account and the managers have to adapt too, to make the whole team feel comfortable. The dialogue between the different internal groups is important in order to make sure that there are no misunderstandings between them. Some members might have a different point of view than others but everyone is good at what they do and deliver results. The team occasionally enjoys different social activities together, which makes the group more coherent and well functioning.

“The developers are of a different kind than others. They are a bit more introvert and they do their own thing but they are good at what they do. There is a distinct separation to be seen between them and the rest of the team.”

Since the foundation of the company in 2011, there have been changes in the internal management structure of the company. After existing for about two years Tajitsu established a board of directors, creating a more formal management structure as a result of the company growing in size. Today, the board of directors consists of one externally independent chairman, the two founders and the investors. The executive committee consists of the CEO, the CTO, a product manager and Per who works with the business development within the company. The planning and goal setting is done through a top-down concept, having the board of directors setting the overall goals and communicating them down to the rest of the team. The goals and targets are always communicated to the whole crew so that they know what is expected of them in the nearest future. In this way, there is a dialogue between the crew and the top management when it comes to goal setting and planning. This is of great importance, since everyone must have insight and knowledge about what is happening in a company of this small size.
The planning has a distinct short-term focus. A common time horizon for the plans is six months into the future. Since the company operates in an uncertain and rapidly changing environment, setting goals for a long period ahead would not be appropriate since the future can not be predicted. That is a general trait of start-up firms according to the respondent, who states that it has to do with the life cycle phase in which start-up companies are located. The focus must be on finding an appropriate customer base and adapt to what works best along the way.

“We know that if we have not reached our six month plan, there is no use in setting a goal for 18 months ahead. Generally in this industry, the planning focus has become much more short-term oriented in the last years.”

When it comes to goals and targets, Tajitsu has a clear non-financial focus. The number of customers is limited and the revenue is small compared to total expenses, making financial measures uninteresting and the focus lie on alternative factors. The only financial measure used by the company is the time when they are predicted to run out of financial resources and the need of more external funding arises. Attention is primarily drawn towards non-financial measures of growth such as the number of new pilot customers, the number of new installations and the amount of support needed. There is a strong focus on business development and the amount of control is almost non-existing. However, as the organisation grows Per sees the need and relevance in bringing more financial measures and targets into account.

“Since we started we have used about 14 million SEK and only brought in about 1 million SEK in revenue, which makes financial measures useless to look at. The focus needs to be on alternative factors, it is important to know that there are other ways of measuring success.”

When recruiting new staff to Tajitsu, what is regarded as the most important quality of the candidate depends on what department is hiring. When recruiting to the technical department, the most important quality is that the new employee has the right skills and knowledge, this due to the highly advanced technology used in the firm’s product. For the product and sales department, the importance lies more in the personality of the candidate as well as his/her interest within the field. It is always important that the new employee has the will, passion and the right attitude to do a good job.

“On the technical side, the focus lies almost entirely on competence. If the person has the right skills in the technical area, you can be almost certain that he has the developers’ type of personality anyway. On the sales side it’s much more about attitude and personality.”

For the employees at Tajitsu, the motivation does not lie in the financial compensations and benefits. Operating in an uncertain environment, where the conditions and circumstances are in constant change, there is no guarantee that the salary will stay stable every month. This is a
challenge for start-up companies in general and creates the need for the employees to be motivated by alternative factors according to Per.

“The largest motivational factor for the staff has been the aura and the feeling of the company. The focus does not lie in the financial compensation but in the fact that the employees get to work with what they are interested in.”

In the case of Tajitsu, the motivational factors for the employees are connected to the task at hand, challenging themselves and working in a company culture they enjoy and feel comfortable with. The financial focus is close to non-existing. Due to the highly advanced technology used in by the company, they have attracted people with a specific interest in the field of Tajitsu, meaning that the employees’ biggest wish is to work with what they love.
5. Analysis

In this chapter the empirical data is going to be analysed, using the theoretical framework as a basis. The chapter is divided into four sections. By comparing differences and similarities between the studied firms and the theoretical framework possible commonalities can be investigated.

5.1 Company Culture

Management control systems within a company is both needed and necessary (Alvesson, 2004) and in all of the firms being studied there have been several control systems managing the firm, both stated as well as unspoken of. According to Malmi & Brown (2008) it is not possible to have only one type of control in a company, instead they have highlighted the term Management Control Package.

The widest control system according to Malmi & Brown (2008) is cultural controls. To point out prevailing culture was challenging for some of the respondents. However, all of them confirmed the existence of a certain company culture within their organizations. Ouchi (1979) states that creating a culture is partially conducted through rituals and ceremonies, something that each of the studied firms achieves through weekly meetings, social events etc. In addition to the company culture, subcultures within the firm may arise (Ouchi 1979). This is something that was to be found be within the studied firms as well. By having departments with different areas of expertise, different ways of speaking and places to work, subcultures occur. As an example, a distinct subculture was described by all the respondents, who explained the unique culture of the developers and programmers, who generally have the need of working in their own way and be left alone to achieve the best results. Peter at Halon Security also described that trying to control the development department would probably do more harm than good.

Company culture also includes the values and symbols within the firm (Malmi & Brown, 2008). Each of the studied firms stated the importance of personality and values when hiring new staff members. According to Navid at YouPic and Patrik at Kombridge, the most important factor when recruiting is personal chemistry, followed by having the right competence. When hiring new staff at Kombrige for instance, the existing team includes new members by exaggerating ruling culture and values, which according to Alvesson & Kärreman (2004) is one level in how to spread the company values based on a belief system. Each of the levels described by Alvesson & Kärreman (2004) include the new recruits to somehow share and act according to the values of the firm, which all of the studied companies do in one way or another through for instance kick-offs, after-work or other social events to involve new and existing the staff members.
When considering symbols in a firm Malmi & Brown (2008) draw attention to for example how the office is organized to influence certain behaviour, which also can be looked upon as an organisational design. Two of the studied firms have a shared room in an open office for the whole staff, no matter which department they belong to. Halon Security and Tajitsu on the other hand, have one room for each department. Even though the employees at YouPic and Kombridge share office with people belonging to other departments, there is a separation in some way, e.g. in the case of Kombridge where there are different tables for different department. This could be a symbol to stimulate communication within the firms, according to Malmi & Brown (2008). Other symbols being similar between the studied firms are their wish of creating a relaxed and open atmosphere. One evident case was found at YouPic, who has a PlayStation for the staff when in need of a break, and at Kombridge who has a flipper game in their conference room. Another common trait is the ability for the staff members to have the liberty to work when and where they wish, as long as they do was what expected of them and deliver results.

In the package of management control Malmi & Brown (2008) lastly highlight administrative controls, where policies and procedures are mentioned. Due to the fact that all of the firms are operating in a constantly changing industry, it affects the way policies and procedures are being handled. Neither of the companies has written rules or action plans, only Halon Security implies having plans of introducing more formal policies as they see a need for it when expanding. According to Malmi & Brown (2008) policies are mainly necessary when having standard operating procedures, something none of the interviewed firms currently have.

5.2 Planning and goals

Each of the companies being interviewed has internal and external investors. This means that there are both owners being part of as well as not being a part of the operational work of the companies. As a result there is a need to take everyone’s interests into consideration when making decisions. Each of the firms has a board of directors consisting of external and internal investors of the firm. In all the different board meetings there are decisions made around the financials and the financial goals are mainly set using a top-down concept in each of the firms. However, according to all the interviewees it is important to keep a dialogue with the staff making them a part of the decisions, which according to Malmi & Brown (2008) is a planning process that can be considered to be a management control system. By having a objective-setting process it can stimulate a creative environment for the employees (Davila, Foster & Oyon, 2009). However, in YouPic for example there is a very limited interest in the financials among the staff members.

Budgets are set up by the boards in each of the firms, mostly not consulting with the staff. This process is, according to Malmi & Brown (2008), counted as a decision support system. Although in the interviewed companies having a sales department (Halon Security, Kombridge and Tajitsu), the sales personnel are able to express their opinions about the
budget. As a common trait among the studied companies, the budget does not play a significant role as a means of control, instead used as a decision supporting system.

Non-financial goals are in each firm set by the staff and executive committee together and this process includes a dialogue with the operational staff. According to all the interviewed firms the non-financial goals are the most important to their company and the industry in which they operate, although Halon Security and Kombridge highlight the fact that without financials there is no business. Kombridge and Halon Security differ slightly from the rest, since they focus more on financial goals and measures than the other companies being interviewed.

5.3 Motivation

By using compensations and rewards the staff is to get motivated to perform a certain task (Bonner & Sprinkle, 2002). Each of the participating served firms provide monthly salaries to their employees, although according to all of the respondents the financial rewards is not the greatest motivational factor for their staff. The non-financial rewards such as being appreciated by external users of the product as well as praise from the rest of the team members are a huge driver according to Navid at YouPic and Patrik at Kombridge. All of the respondents state that a big motivational factor is to be able to work with their specific product and within their specific area of the industry. To be a part of creating something to be proud of as well as having a personal interest in the field is what drives the staff to work hard and achieve good results. The fact that the employees could get higher financial compensation elsewhere, and still decide to stay is an indicator, according to each of our interviewees, that the non-financial rewards are the greatest motivation. Having some kind of compensation system to stimulate a creative environment and to motivate the employees is important according to Davila, Foster & Oyon (2009).

5.4 Growth

All companies interviewed show tendencies of having developed more formal structures as they have grown larger. Each of the firms has also experienced that as the company grows, the founders can no longer control all parts of the business single-handedly. As a result they have developed more defined roles within their teams. This aligns with the statements made by Davila & Foster (2007) and Davila, Foster & Oyon (2009) who refers to the need of implementing more formal control systems as a company grows, enabling efficient work flows and communication within the company. Despite the tendencies of more formal management control systems there is still a general feeling of a more informal management style in all of the studied firms, shown through the fact that everyone is involved in each others’ areas and the widespread communication among team members. This confirms Davila’s (2007) and Sandelin’s (2008) theories of small businesses being more informally managed than larger ones.
Sandelin (2008) proposes that companies in early stages of their life cycle often use the company culture as a guideline when recruiting new staff. In all of the companies interviewed the way of recruiting aligns with Sandelin’s statements due to the fact that they all regard the personality of the new employee as an important factor. Each of the respondents highlight the importance of the new team member fitting into the existing company culture and values personal chemistry. However, both Halon Security and Tajitsu state that even though the personality is crucial when recruiting, the most important factor is the competence when being in a knowledge intensive industry.

All of the studied firms have had challenges connected to scarce financial resources in the earliest stages of the company’s lifetime. Each of them has also faced the need of recruiting more people as the company has grown larger. As mentioned above, all of the firms express the feeling of having an ownership culture in the beginning of the company’s lifetime with the founders controlling of all parts of the business single-handedly. These observations are consistent with the statement made by Sandelin (2008).

During the development and growth of Kombridge there has not been much change in the internal structure of the company, which makes them different from the rest of the studied firms. As an example, they have had a board of directors since day one. The other respondents have seen changes in structure within the firm in the form of establishment of more formal management elements, such as a board of directors. Halon Security is also different in the aspect that they, in similarity with Kombridge, use financial targets to a greater extent than the other two studied companies.

Granlund & Taipaleenmäki (2005) state that typically, new economy firms allocate limited resources towards financial control activities. This was the case in the interviewed firms. They all express the flexibility and freedom in their creative companies, where there are no strict policies or financial measures to be followed. Kombridge and Halon Security are the ones most focusing on financial measures and control through these. Granlund & Taipaleenmäki (2005) also express the strong future-orientation and focus on short-term planning in these types of companies. This is something that can be observed in all of the studied companies, who have a distinct focus on short-term planning as well as visions for the future. Many of the interviewed companies have a time horizon of six months when planning for the future operations of the company.
<table>
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**Growth**

All of the firms, except Kombridge, claim to have gotten a more formal structure while growing. Lack of formal policies and procedures.

Figure 2 gives an overview and a summary of matters discussed in the analysis. By using Malmi & Brown’s (2008) framework as a source, similarities between the companies have been highlighted.
6. Concluding remarks

In the last chapter the concluding remarks of the study will be presented, by answering the research question. The main findings of the study will be listed and the contribution to the research is to be presented. Suggestions for further research will follow.

6.1 Main findings

The research question to be answered is;

*What elements of the management control package get most attention in a start-up?*

A general indication to be seen in all of the interviewed firms is that management control in general is used to influence and control behaviour within the companies. This aligns with the statements made by Alvesson (2004) who declares that management control systems are establish to yield power and/or to influence behaviour, in order to ensure that enough resources and direction is given within the organisation for the employees to actively strive towards the objectives of the firm.

6.1.1 Control through culture

Something common to be seen within the interviewed firms is that company culture is one of the most important parts of the management control system. All of the interviewed firms express the existence of a distinct and strong corporate culture that to a great extent determines and affects the way in which they work and make decisions. Many of the interviewees also describe the way in which the company culture sets the framework when recruiting new staff members and highlight the importance of the new employees having shared values with the ones of the company, as well as a common mind-set as the existing staff to be able to work well within the team. This aligns with the statements made by Sandelin (2008) who states that the culture within the firm works as a guideline when recruiting new employees. The culture seems to set the framework to a great extent when it comes to recruiting people to the more customer interacting departments such as sales and marketing. In some of the companies, the focus lies in competence when recruiting team members to the technical departments, such as developers and programmers.

6.1.2 Informal management style

The fact that the interviewed firms give an impression of having more of an informal management style, the culture becomes an important tool of control even though the managers and the team might not be aware of it themselves. The informal management style is shown through the great amount of communication within the team, the freedom and personal
responsibility given to the employees as well as the general lack of defined policies, procedures and rules.

6.1.3 Short-term planning

Each of the companies highlight that there is a clear focus on short-term planning. They all express the notion of short-term planning being essential for their firms’ operations. They highlight that due to the constantly changing environment in which they operate as well as the early stage of the company’s life cycle, this forces them to focus on short-term plans for the future. Making detailed plans further into the future seems to be of little interest, since the uncertainty is too large. The companies have got broader road maps and visions for the future but the more detailed plans are left to the short-term. This is consistent with the theory of Granlund & Taipaleenmäki (2005) who state that companies in this type of industry and that are located in this early stage of the corporate life cycle typically have a future-orientation and focus on short-term planning and that they act more as reactors to the constantly changing uncertain environment.

6.1.4 Top-down planning with dialogue

Another indication connected to the planning process within the companies is that the planning is conducted in a top-down manner, having the top management setting the goals for the company’s operations. When the goals and plans are set, they are communicated downwards in the organisation. This is something that was to be seen in all of the studied firms. They all highlight the importance of including the staff in the planning and goal setting process to some extent, this to make the entire team aware of what is going on in the company as well as motivate them to reach common goals. This is supported by Davila, Foster & Oyon (2009) who states that even though a firm is small and need to stimulate creativity there has to be some kind of control system such as objective-setting processes to create that type of environment. This seems to be important to these types of companies because of their small size and that everyone needs to have some knowledge in all parts of the organisation, since there seems to be an indication of having a more informal and interacting management style.

6.1.5 Non-financial and financial goals

Regarding other goals and targets set within the interviewed companies, the main focus lies in non-financial measures for a great part of the companies. Two of them, YouPic and Tajitsu, do not use financial targets as of today; they instead explain the importance of the non-financial measures such as the number of users of their product. This agrees with Granlund & Taipaleenmäki (2005) who state that companies in this type of industry typically allocate a small amount of resources to financial control activities. The two other firms, Kombridge and Halon Security, make use of financial goals and targets today. However, they also highlight the importance of the non-financial measures for their companies and the industry in which
they operate. The interviewees whose companies’ do not use financial goals today express the way they see the implementation of financial targets becoming of greater importance as their companies grow larger in size. Here, we can see a connection to Halon Security, who has been in business for a longer period of time than the others. They have moved past their initial life cycle stages and have now drawn more attention towards financial measures and targets. This indicates that the predictions of the younger firms might turn out to be accurate. This also aligns with the statements of Sandelin (2008) who points out that as a company grows, a common phenomenon is that a greater amount of attention is drawn towards financial results and performance targets.

6.1.6 Motivation through non-financial elements

Considering motivation, there is a distinct indication of non-financial rewards being important for the employees. All of the studied firms express their inability to provide as high financial compensations as other bigger firms in their industry. For the employees in interviewed firms, the motivation seems to lie in other elements than the financial rewards. For them, the thing that drives them is not the financial compensations but the softer more personal rewards that comes with working within the start-up companies. For many, the motivation lies in a personal interest and passion that makes them motivated to keep working despite the uncertain environment around them.

6.1.7 Changes connected to growth

All companies but Kombridge has experienced a change towards a more formal organizational structure in connection to the growth of the firm. They all express the feeling of moving from a company that is run by a few individuals, having an ownership culture where a few people control all elements of the company, to reaching a stage where the need of having a more formal structure arises. This aligns with the theory of Davila & Foster (2007) and Davila, Foster & Oyon (2009) who state that it is necessary to implement a more formal control system and structure when a company grows to keep the situation from spinning out of control and to enable efficient information flows within the company. The change has been seen as an important step, since the scarce financial resources force the companies to be as efficient as possible. It is only one of the interviewed companies, Kombridge, that has not seen much change in the internal structure of the company since they started.

6.2 Contribution of the study

Current thesis contributes with an indication of what elements get most attention in start-ups within the IT industry. Being of an explorative character, the indications and conclusions made will lay the foundation for further research within the area (Feinberg, Kinnear & Taylor, 2013).
As a summary, there are indications of the studied IT start-up firms being controlled through company culture, short-term planning and non-financial measures through a top-down concept but with a great deal of communication with the rest of the team. The motivation for the employees lies in other factors than the strictly financial compensations, instead the non-financial motivations are predominant. Over time, there is an indication of implementing a more formal structure and management control as well as an increased focus on financial measures. There is a general indication of the firms being controlled in a more informal way.

6.3 Reflection on the design of the study

One reflection regarding the design of the study that could have improved the extent to which conclusions could have been drawn is the number of companies interviewed and the number of respondents within the companies. By studying a greater number of companies, a broader perspective could have been reached and a clearer view of the conclusions could have been created. Also, by interviewing more than one respondent within the same company could give a more nuanced view of the company. However, being of an explorative character the study was designed to fit the given timeframe. Therefore, the limitations mentioned could work as suggestions for further research within the area.

6.4 Suggestion for further research

Being of an explorative character, this study serves as a foundation for further research within the area (Feinberg, Kinnear & Taylor, 2013). The ground is laid for researchers to further investigate the phenomenon of management control package in a start-up context. Since the empirical data is based upon an interview guide that is constructed based upon Malmi & Brown’s (2008) framework regarding the management control package, the research can be continued and applied to a more exhaustive context and study. A suggestion for further research would be to do a more exhaustive study on a greater number of firms by having them answer a questionnaire based upon the framework of Malmi & Brown (2008) and the result from this thesis. Interviewing several people within the same company could also be of use for further studies. These suggestions for further studies could give a broader view and create the ability to make more extensive conclusions of the phenomenon.

Since Malmi & Brown’s (2008) framework is general and not limited to a specific industry or context, there is a possibility to investigate the phenomenon of the management control package in different industries in addition to the IT industry investigated in this study. This could give interesting inputs and similarities and differences could be explored.
References


Yin, R.K (2011), *Qualitative research from start to finish*. New york: Guilford Press.
APPENDIX A – Interview Guide

Background

1. Tell us about the company, its history and your product(s).
2. What changes have you seen since the beginning until now?
3. What have been your greatest challenges along the way?
4. What is your next big challenge?

Company Culture

Clans

5. Describe your company culture
6. Are there any grouping/subcultures within the company?
7. Are there any traditions?

Values

8. When recruiting new employees, what criteria are the most important for you?
9. Is it important that the new employee has specific values?
10. What type of person fits into your company?
11. How do you make the new employees feel like a part of the team?

Symbols

12. What does your office look like?

Planning

13. Do you use short-term or long-term planning the most? Why?
14. Who is involved in the planning process?

Cybernetic Controls

Budget

15. Do you use budgets? How?
16. Who is involved in the process of setting the budget?
Financial and non-financial performance measures

17. What kind of goals do you use (financial or non-financial)? Why?
18. Who is involved in the goal setting process?

Rewards & Compensations

19. How does the employees get motivated?
20. Are there any types of reward systems in your company?
21. Are the formal or the non-formal rewards the most important?

Administrative Controls

Organizational Structure

22. How is your company structured internally? Has it changed over time?

Governance structure

23. What does the top management look like?
24. Who is responsible for what? Has it changed over time?

Policies & Procedures

25. Are there any policies and/or procedures within your company?