



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Public Welfare

VS

Return on Shareholders' Equity

- A Case Study of the Translation & Implementation of the Management Control System in Systembolaget

Bachelor's Essay in Business Economics
Management Control
Spring Term 2010
Tutor: Petter Rönnborg
Authors: Emil Eriksson
Andréa Kastberg

Summary

Bachelor's essay in Business Economics, School of Business, Economics and Law – University of Gothenburg, Management Control, Spring Term 2010

Authors: Emil Eriksson & Andréa Kastberg

Tutor: Petter Rönnborg

Title: Public Welfare VS Return on Shareholders' Equity – A Case Study of the Translation & Implementation of the Management Control System in Systembolaget

Background and problem: Higher and other demands are made on management control systems in organizations which have a superior non-financial objective. Systembolaget, a state-owned company with monopoly to sell alcoholic beverages in Sweden, combines two main objectives which can be considered as conflicting, one financial target and one superior non-financial public welfare target. The research questions are focused on the translation of information through the organization's levels and if the management control system makes it possible to run the organization according to both of the two main conflicting objectives.

Purpose and Delimitations: To describe, analyze and evaluate how management control can be used in an organization, which is not profit maximizing and has both non-financial and financial objectives. The essay does not try to describe or draw generalized conclusions regarding general perspectives on Systembolaget's assignment and objectives.

Method: A qualitative and evaluative case study based on interviews with five employees at different levels in Systembolaget has been carried through. The empirical findings has been analyzed and structured by relevant theories regarding translation, balanced scorecard and management control in non-profit organizations.

Analysis and Conclusions: It can be concluded that the translation of the non-financial objective is incomplete and only a few aspects are captured in the management control system. The most evident translation is when Systembolaget tries to quantify the abstract objectives into performance measurements and thereafter it is relatively unchanged through the organization's levels.

The respondents have the opinion they work in accordance with both the non-financial objective and the return on shareholders' equity demand. However, the translation of the assignment is incomplete and it is impossible to determine if they really run the organization according to the assignment or not. It can be concluded that the management control system capture all aspects of the financial objective and that it is possible to run the organization according to it.

Keywords: Balanced Scorecard, Management by Objectives, Management Control Systems, Management Control in Non-profit Organizations, Performance Measurements, Systembolaget, Translation

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Emil Eriksson

Andréa Kastberg

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1. Introduction

In the introduction it is accounted for the background of the research area and a brief description of the studied case, Systembolaget. Thereafter the problem discussion and its purpose follow, which leads to the establishing of the research questions of this essay. The section is finalized with the delimitations and the further outline of the study.

1.1 Background

Most organizations have to find a way to persuade all the employees to work in accordance with the company's overall vision and objectives and thereby control the processes in the company. This is one of the purposes of management control. The design of a management control system depends on how the organization is organized and what the organization wants to achieve¹. A non-profit organization makes other demands on the management control system than a for-profit organization. The results of a non-profit organization are often measured in qualitative, non-financial terms, and for a management control system to be effective these qualitative results have to be quantified into fair measurable terms². In this essay an even more complex situation will be studied. Since the purpose of a non-profit organization is normally to solely serve the public welfare in one way or another, a conflict arises if this social responsibility is combined with a financial target. This conflict exists because an organization will come across situations where it has to take into consideration how to balance these two differing objectives. When public welfare objectives have to compete with financial objectives this complex situation arises.

A company in this complex situation is Systembolaget, which is the company to be examined in this essay. Systembolaget tries to combine both financial and non-financial objectives and must handle this conflict.

Systembolaget is a state-owned company with a monopoly to sell alcoholic beverages in Sweden. The company was established and nationalized in 1955 and employs today about 5000 persons³. All products in the assortment are bought from wholesalers all over the world and Systembolaget do not have any production of its own. According to the regulations given by the Swedish government Systembolaget must be neutral to different trademarks when they are procuring and selling products. Systembolaget shall not engage in additional sales. Today there are approximately 400 Systembolaget stores and 500 agents who distribute the products to virtually all the municipalities in Sweden.⁴ To be able to buy alcoholic beverages at Systembolaget the customer has to be at least 20 years of age.

¹ Anthony, Robert N. & Young, David W., *Management control in nonprofit organizations*, 7. ed., Irwin/McGraw-Hill, Boston, 2003, p. 5

² Hofstede, Geert, *Management control of public and not-for-profit activities*, International institute for applied systems analysis, Laxenburg, 1982, p. 3

³ Systembolaget *Ansvarsredovisning 2009*, p. 39

⁴ Systembolaget *Ansvarsredovisning 2009*, p. 50, 56

Systembolaget has an **assignment** that is appointed from the government: *”Contribute to limit the harm made by alcohol consumption”*⁵. To achieve this assignment the company has formulated a **vision**: *”We shall establish a healthy drinking culture, whereby we can enjoy our drinks without harming either ourselves or other people”*⁶. The assignment and the vision have been interpreted into a **business concept**: *”To sell alcoholic beverages with responsibility and best service and provide knowledge about alcohol and health”*⁷.

The assignment is not the only **demand** from the government; *”Systembolaget also has to yield a return on shareholders’ equity that in the long-term corresponds to the ten-year government bond interest rate plus four percentage points”*⁸. For 2009, this meant a return on shareholders’ equity demand of 7,2 percent. The return on shareholders’ equity demand is supposed to make the organization operate as efficient as possible⁹. If this demand is exceeded during a long period of time the customers should be benefitted by a lower trading margin (excluding alcohol tax)¹⁰. To achieve these objectives the organization must be managed in an appropriate and coordinated manner and for this to happen there has to be a management control system where the expectations of every professional are stated. In Systembolaget this management control system is formed into a balanced scorecard and it is also used as a tool to evaluate the company’s and the employee’s performances. Systembolaget’s balanced scorecard is an important part to examine in order to understand the management control in the company.

1.2 Problem discussion

In an organization like Systembolaget, with a superior non-financial objective and a subordinate but important financial objective, it can be complicated to construct an effective management control system. The problem arises because the employees must understand how to evaluate the importance of the conflicting objectives.

The vision and objectives of Systembolaget origins from the assignment given by the Swedish government and are formulated by the board. Since the assignment is supposed to permeate the whole organization, it must be translated in order to make the employees understand and base their work on it. The aim of the translation is to adapt the assignment and return on shareholders’ equity demand to every professional role in the company and to describe how each profession should act to accomplish concordance with these objectives. This leads to this essay’s first research question:

● *How are the assignment and the return on shareholders’ equity demand of Systembolaget translated through the organization’s levels?*

⁵ Translated from Swedish version in Systembolaget *Ansvarsredovisning 2009*, p. 1

⁶ Systembolaget *Annual Report 2007*, p. 9

⁷ Translated from Swedish version in Systembolaget *Ansvarsredovisning 2009*, p. 1

⁸ Systembolaget *Annual Report 2007*, p. 11

⁹ Interview with Göran Boman; Riksdagens Revisor, *Statens roll som ägare av bolag*, Rapport 1997/98:2, Stockholm

¹⁰ Systembolaget *Ansvarsredovisning 2009*, p. 52, 106

The translation process requires interpretations by the translators, which will create a new version of the original idea each time it is translated due to the influence from the local context at each level of the organization¹¹. When the information travels through the organization a translation chain develops and in this translation chain conflicts between objectives can arise when the information changes at different levels. This becomes even more obvious in an organization with both financial and non-financial objectives since a situation can arise where the employees can be forced to make a trade-off between the conflicting objectives. Systembolaget is an organization where this problem occurs since it has two major differing objectives; the public welfare objective and the return on shareholders' equity demand. In theory it is possible to combine these two objectives, but in practice one objective can become more valued than the other because of translations and interpretations done by individuals. Therefore it is not certain that Systembolaget can achieve both objectives, but this can be countered by establishing a clear balance between the two main objectives.

The owner has a clear idea of what Systembolaget and its employees should achieve and has no opinion on how the management control should be performed in the company. The Swedish government's owner directive only states what should be achieved and not specifically how¹². Balancing the two main objectives at the operational level is an assignment for the employees at Systembolaget. When balancing the two main objectives it has to be taken into consideration if the handling makes it possible to fulfill the assignment and at the same time meet the owner's demands. This leads to the second and subsequent research question of this essay:

● *Does the management control system make it possible to run the organization in accordance with both of the two main conflicting objectives?*

The subject in this essay is interesting and important to investigate, because the situation in Systembolaget is unique, and there is a knowledge gap about how conflicting objectives evolve when they are translated through the organization. Several researchers, for an example Rombach, argue that managing by objectives is working poorly in the public sector, since it is hard to formulate plain objectives for the organization¹³.

1.3 Purpose

The purpose of this essay is to describe, analyze and evaluate how management control can be used in an organization, which is not-profit-maximizing and has both non-financial and financial objectives. Evaluating if the management control system can translate abstract visions into concrete and guiding terms is crucial for knowing if the organization is run in accordance with its overall mission. The intention of this essay is thus to contribute with new knowledge about how a not-profit-maximizing organization translates its vision and mission

¹¹ Røvik, Kjell Arne, *Moderna organisationer: trender inom organisationstänkandet vid millennieskiftet*, 1. uppl., Liber, Malmö, 2000, p. 152

¹² Regeringskansliet, Socialdepartementet, *Statens ägardirektiv för Systembolaget AB*, 2008

¹³ Rombach, Björn, *Det går inte att styra med mål!: en bok om varför den offentliga sektorns organisationer inte kan målstyras*, Studentlitteratur, Lund, 1991, p. 47

through the organization and how it handles and solves the issue about conflicting objectives. This information can stipulate an example for how not-profit-maximizing organizations can work in accordance with both financial and non-financial objectives.

1.4 Delimitation

The intention of this case study is to describe *one* translation chain in Systembolaget, since it is easier to locate the problems of translation between levels when concentrating on every individual in a translation chain. This means that the essay will not try to describe or draw generalized conclusions regarding the different professions' general perspectives on Systembolaget's assignment and objectives.

This case study is limited to five interviews with employees at Systembolaget, because the authors believe it is sufficient to establish a translation chain from top to bottom. This will not give a general picture of all information translation in the organization. In order to establish a general model over the translation processes in Systembolaget, the amount of interviews required would be too extensive for this study. Therefore only one translation chain will be examined.

1.5 The Further Outline of the Study

The *Theoretical Framework* is based on the two research questions and from this two categorizing theories are presented. The theories regarding translation will foremost be used to analyze the first research question and the theories regarding management by objectives will be used to analyze the second research question.

The *Methodology* describes the procedure of the study, how it is performed and how the primary and secondary data have been acquired. The validity and reliability of the primary and secondary data in this essay are also discussed.

In the *Empirical Findings* it is accounted for the empirical findings collected through the interviews. This section is divided into two parts and each part describes the empirical findings assignable to the two research questions.

In the *Analysis* the collected empirical findings are analyzed and evaluated by assistance of two theories, one about translation and one about management by objectives.

Conclusions are drawn from the analysis and it is followed by the authors' reflections on the subject's further development and also suggestions on further research in the area.

2. Theoretical Framework

The theoretical framework is based upon three major areas: definitions, the translation process and management by objectives. Initially, it will be defined how this essay deals with the concept of a non-profit organization and thereafter the definition of the balanced scorecard will be described. The theories regarding the translation process and management by objectives will be used as tools to interpret the empirical findings and answer the research questions of this essay.

2.1 Definitions

The definitions in this section will not be used as analyzing tools and only serve to improve the readers' understanding of relevant concepts in this essay. The definition of a non-profit organization limits the amount of applicable theories, which are available regarding management control in a non-profit organization, since most of the theories concern charitable organizations, such as the Red Cross and Save the Children. The description of the balanced scorecard is important since a balanced scorecard is used at Systembolaget and thereby the concept will be frequently used in the essay.

2.1.1 Non-profit Organization

There are several different definitions of a non-profit organization and they differ depending on the use of the word. When deciding which definition is the accurate one, it must be determined whether the organization is allowed to generate profit or not¹⁴. In a broader sense, all organizations contributing to the public welfare and whose main purpose is not to gain profit can be defined as a non-profit organization. This definition allows the organization to generate profit, but profits may not be generated at the expense of the overall objective. A narrower definition can be of an organization, which is not distributing any surplus to owners, but uses them to fulfill its only purpose; to contribute to the public welfare. These organizations often heavily rely on public support¹⁵. The narrower definition is most commonly used regarding charitable organizations.

In this essay a non-profit organization will be defined as a company whose main purpose is to gain the public welfare and whose subordinate objective is to generate profit to its owners.

2.1.2 Balanced Scorecard

A balanced scorecard is a management control tool, which tries to combine different perspectives in a business. The inventors of this tool, Kaplan & Norton, stress that both the financial and non-financial control measurements have to be a part of the management control system at all levels of the company¹⁶. The purpose of using a balanced scorecard is to get an overall picture of the company's profitability today and in the future, which is done by using both internal and external perspectives. The internal parts of the balanced scorecard are the *Financial*, *Process* and *Development* perspectives. There is only one external part of the balanced scorecard and it is the *Customer* perspective. All these four parts are linked together

¹⁴ Anthony & Young, p. 49

¹⁵ Anthony & Young, p. 76

¹⁶ Kaplan, Robert S. & Norton, David P., *The balanced scorecard: från strategi till handling*, ISL (Institutet för säljträning och ledarutveckling), Göteborg, 1999, p. 30

and affect each other's performance; if one is changed, all the others are affected. There is also a time dimension going from bottom to top. The further down in the model the longer time it takes until it leads to a realization in the financial perspective. The theory has assumed there is a fundamental connection between the perspectives and all the control measurements are derived from the company's vision and strategy.¹⁷

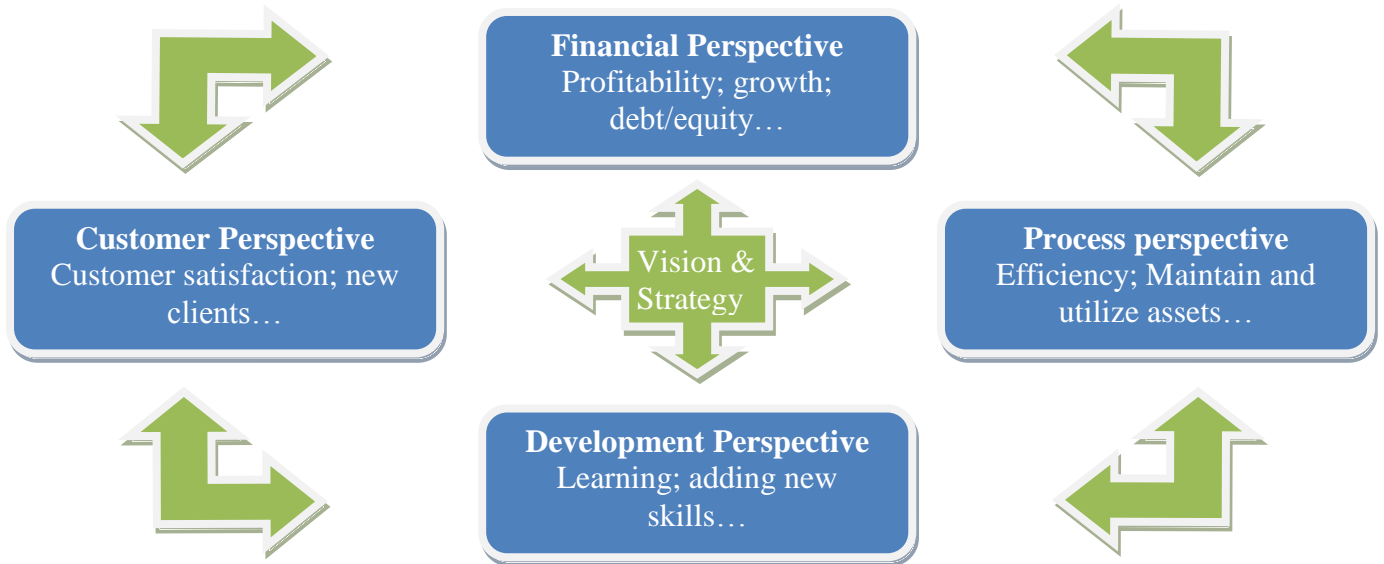


Figure 1 – Balanced Scorecard

Source: Olve & Sjöstrand, p. 6, 2006

The Financial Perspective represents the current profit and other performance measurements, which are consequences of past actions. All actions carried out in the other three perspectives will ultimately end up affecting the financial perspective. This is the easiest perspective to measure and find appropriate performance measurements, which describe the results and thereby it is also the most commonly used part of the balanced scorecard. The financial perspective is easy to use since it is concrete and all the information is already available in the financial accounting.¹⁸

The Customer Perspective tries to measure how satisfied the customers are with the company and potential new clients' attitudes towards the company. This perspective is the hardest perspective to measure since the information is external and must be collected. The information is both comprehensive and demands a large amount of resources to analyze. A change in the customers' attitudes towards the organization is a crucial change to the business since it will affect the financial perspective.¹⁹

The Process Perspective measures the efficiency and productivity of the organization and concentrates on how the organization can use its resources in a better way. This is an easy perspective to measure, because most of the information is recorded internally in the

¹⁷ Kaplan & Norton, p. 17, 19; Olve, Nils-Göran & Sjöstrand, Anna, *Balanced scorecard*, Capstone, Chichester, 2006, p. 5-13

¹⁸ Olve & Sjöstrand, p. 8

¹⁹ Olve & Sjöstrand, p. 8

organization. The process perspective drives the development of new more efficient processes and according to Kaplan & Norton this will mainly enhance the financials and the customer satisfaction^{20 21}.

The Development Perspective is responsible for how the company is learning and developing in order to make the internal processes work in an efficient way in the future. It is also important to develop the organization to satisfy the customers' future demands. It is hard to evaluate the direct effect of the actions taken in the development perspective, since they lack a concrete value. Changes in the development perspective will not affect the financials during a short term, but in the long run it will be crucial for the company's survival. It will pass and affect the two other perspectives, customer and process, before it reaches the financial perspective.²²

*"In conclusion, the balanced scorecard converts the company's vision, mission and strategy into objectives and control measurements seen from a few well-balanced perspectives. The model includes both control measurements for desired results and for processes that are relevant to the desired future outcome."*²³

2.2 The Translation Process

*"Translation is a metaphor which explains what happens when roughly hewn, global ideas often originated in another context are transferred to a local context and organization"*²⁴.

When information is processed and used by different people at various levels in an organization, the information is exposed to interpretation by all the people using it. This interpretation or translation is necessary, since the information must be adapted to the local context. This is because every organization and profession has its own local conditions, interests and preferences²⁵. One way of translation can according to Czarniawska be when an abstract idea is translated into concrete terms²⁶.

Sometimes, when an idea is translated from one person to another, the original thought and expected effect transforms into another effect. This unforeseen effect can both be negative and positive. If another effect than what is expected occurs, it is important to evaluate if it can be worth something to the organization or if the management has to change to avoid this effect. If this translation is valuable to the organization, it can entail that the original idea is renewed and developed.²⁷

²⁰ Kaplan & Norton, p. 34

²¹ Olve & Sjöstrand, p. 8

²² Olve & Sjöstrand, p. 8

²³ Kaplan & Norton, p. 36

²⁴ Siverbo, Sven, The translation of management accounting innovations: a case study of benchmarking in local government organizations, 3. ed., 2009, p. 5

²⁵ Siverbo, p. 4

²⁶ Czarniawska, Barbara, *En teori om organisering*, Studentlitteratur, Lund, 2005, p. 62

²⁷ Siverbo, p. 5

2.2.1 The Translation Model

Røvik has developed a model, which describes how ideas or concepts are translated in an organization. In the model he classifies the different ways of translating information. There are four forms of translation; *concretization*, *partial imitation*, *combination* and *transformation*. When an idea or a concept is translated it can be classified as only one of these.²⁸ This theory will be used as a tool to sort and analyze the empirical findings. The theory was chosen since it gives an appropriate picture of how the reality works and thereby it can be applied to different situations. For the enhancing the apprehension of this theory the authors of this essay has interpreted and explained it with clarifying examples.

2.2.1.1 Concretization

One way of translating a vision or objective is to interpret and clarify it into routines adaptable to the local context. This is *concretization* and it means that the overall idea is adapted to the vision or objective to the next level so that both levels understand what is expected of them. An abstract vision or objective is translated into a more concrete, measurable term.²⁹

Clarifying example – A store manager wants to have a profit margin of 10 %. In order to make his employees understand how this objective is going to be fulfilled, he must translate it. He chooses to concretize the objective by measuring his employees in: *number of groceries sold in one day* and *total cost of selling the groceries*. This is a *concretization*, not a change, from the original idea.

2.2.1.2 Partial Imitation

When only a part of the original concept is needed or if it is too difficult to transfer the whole concept to the local context, the translation process is called *partial imitation*. A different way, in which partial imitation can arise, is when the adopter does not possess sufficient knowledge about the concept. This means the adopter only imitates the part of the idea he or she understands and thereby a partial imitation occurs. A necessity for this type of translation is that the elements in the concept must be separable.³⁰

Clarifying example – A store manager wants to have a profit margin of 10 %. In order to make his employees understand how this objective is going to be fulfilled, he must translate it. The store manager finds it difficult to translate the whole concept, since it is impossible for every employee to have an overall knowledge of the total cost split on every single grocery. Thereby he only translates the part of the profit margin the employees directly can affect, *number of groceries sold in one day*.

2.2.1.3 Combination

The third way of translating concepts is to *combine* the whole concept or parts of it with other concepts and create a combined idea. This means an existing target is complemented with

²⁸ Røvik, p. 157

²⁹ Røvik, p. 158

³⁰ Røvik, p. 160

another external one, which is important to the local context. For this translation to be successful it is important the targets can be combined or else they will be useless.³¹

Clarifying example – The same store manager believes it is important to *combine* the measurements *number of sold groceries*, *total cost of selling the groceries* and *customer satisfaction* to ensure the long-term profit margin. Measuring the customer satisfaction is not an official part of the profit margin concept, but the store manager wants to combine them because he believes it is cheaper to keep an existing and satisfied customer than to obtain new ones.

2.2.1.4 Transformation

It can sometimes be hard to distinguish *transformation* from the combination theory, but it is a more radical translation. In a transformation process the different concepts included are not only combined, but are melted together into a whole new concept. The transformation is, unlike other translations, a longer and deeper process. Concretization, partial imitation and combination can all become a transformation when they evolve.³²

Clarifying example – After a while when the store manager has been evolving the original concept, it starts to *transform* into a whole new idea. He has tried to combine the *profit margin measurements*, which are financial objectives, with a non-financial objective, *customer satisfaction*. The process has led to the creation of a new management control tool, for instance, a *balanced scorecard*. Several performance measurements have been transformed into one concept.

2.2.2 The Translation Chain

The translation chain describes the process of how an idea changes when it is adapted and passed on to a new level in the organization. When implementing a concept into an organization, it is exposed to a transformation process and is a subject to different authoritative in form of groups, levels and persons. This leads to a change of the concept into a local context and thereby different versions of the concept arise, depending on where in the translation chain the transformation takes place.³³

³¹ Røvik, p. 162

³² Røvik, p. 163

³³ Røvik, p. 156-157

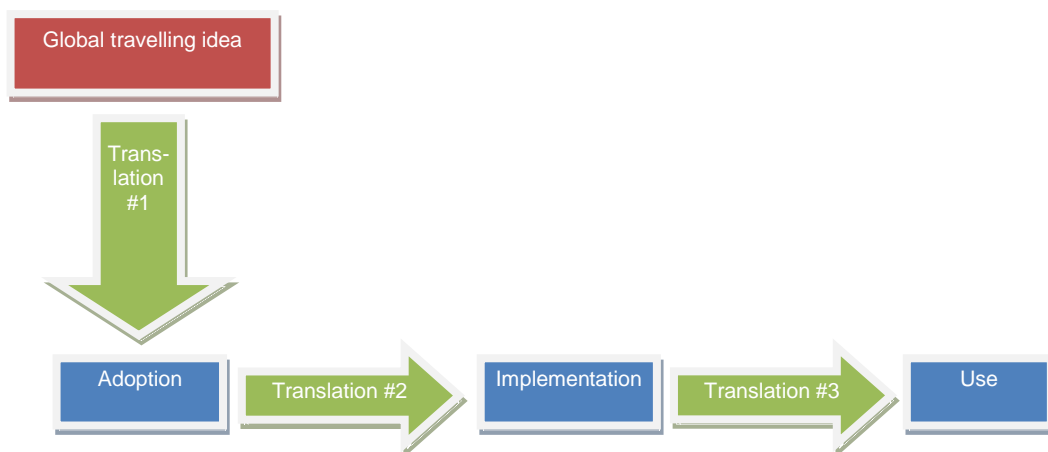


Figure 2 – Translation Chain

Source: Siverbo, p. 6, 2009

Siverbo has developed a model for the chain of translations. The chain begins with the *global travelling idea*, where the overall idea is established, for an example the assignment of Systembolaget. In order to reach the next level, *adoption*, the idea has to be translated to fit the local context, for example the aspects of a balanced scorecard. At the next level, *implementation*, the local idea is translated into suitable management control tools, for example performance measurements. Finally, these tools' contents are translated by individuals so they can be used in the work situation.³⁴

2.3 Management by Objectives

Management by objectives is a management technique which is frequently used and according to Drucker and Forslund used to create coordination in an organization³⁵. The strategic management breaks down the business' overall vision and mission into objectives that employees at various levels are striving to accomplish³⁶. Measuring performance can, according to Ljungberg & Larsson, motivate the employees and make their efforts and results visible. The use of management by objectives also creates a mutual language, which facilitates the communication between levels in an organization³⁷. Forsberg on the other hand, considers the language of the objectives must be adapted so employees at all levels can understand what the purpose of the objectives is³⁸.

Ljungberg & Larsson consider it important to decide what to measure, but also how to measure it. Measuring gives a control effect and therefore it is essential to anticipate the effects a certain objective will give. In theory, if the appropriate objectives are localized, management by objectives will result in several positive effects. The measuring of performance measurements indicates how the organization performs and can display changes

³⁴ Siverbo, p. 6

³⁵ Drucker, Peter Ferdinand, *The practice of management*, 2. ed., Butterworth-Heinemann, Oxford, 2007, p. 105; Forslund, Magnus, *Organisering och ledning*, 1. uppl., Norstedts Akademiska, Stockholm, 2009, p. 42

³⁶ Drucker, p. 105

³⁷ Ljungberg, Anders & Larsson, Everth, *Processbaserad verksamhetsutveckling*, Studentlitteratur, Lund, 2001, p. 224

³⁸ Forsberg, Krister, *Leda genom mål*, 1. uppl., Liber, Malmö, 2007, p. 44-45

in performance on an early basis. It also gives the opportunity to compare units and elucidate those units whose performance stand out.³⁹ Ljungberg & Larsson think, “What is measured gets done” a generally accepted fact and states: “*We cannot manage or develop what we cannot communicate, we cannot communicate what we cannot measure, we cannot measure what we cannot define, we cannot define what we do not understand*”⁴⁰.

2.3.1 Management Control in Public Organizations

Implementing management by objectives involves a certain complex of problems, often because it is difficult to translate the overall vision into accurate objectives. Several researchers consider this often to be a problem in the public sector, since the objectives are hard to apply to the activity of the organization⁴¹. Hofstede has developed four criteria for determining if a public or not-for-profit organization and its activities can or cannot be controlled through management control⁴²:

1. *Are the objectives unambiguous or ambiguous?*

For management control to be effective, it is crucial for an organization to have a clearly stated purpose and unambiguous objectives deriving from this purpose. If the objectives can be perceived as ambiguous there can be several reasons why and Hofstede has grouped them into three categories:

A) Conflicts of perceived interests and/or values among those having a say in the activity – The purpose is diffuse and the different professions disagree on what it means.

B) Lack of knowledge about means-ends relationships in which the activity considered represents the means – All professions agrees on how the purpose shall be interpreted, but there is an uncertainty about whether the purposed activity will help achieving the purpose or not.

C) Fast changes in the environment, which enforce new objectives or make existing objectives obsolete – For example, new legislation, political changes or geographical changes make the objectives ambiguous.⁴³

2. *Are the outputs measurable or non-measurable?*

The output is measurable when the result of an activity can be identified, quantified and compared to the decided target. It is important to measure the output in an appropriate manner in order to secure that what was intended to get measured is measured. However, some activities in an organization cannot be measured since they are not quantifiable and can only be defined in qualitative and vague terms. If the outputs can be measured in a correct way it will facilitate the management control of the organization.⁴⁴

³⁹ Ljungberg & Larsson, p. 222-223

⁴⁰ Ljungberg & Larsson, p. 226

⁴¹ Hofstede, p. 1; Rombach, p. 47

⁴² Hofstede, p. 2

⁴³ Hofstede, p. 2

⁴⁴ Hofstede, p. 3

3. *Are effects of management intervention known or unknown?*

This concerns if it is possible to decide whether a course of events can be originated to a management intervention or if it would have occurred anyhow. There has to be an evident correlation between the management's intervention and the reaction of the organization, and between the organization's reaction and the response of the environment. For example, a teacher's performance cannot surely be evaluated on the basis of the students' results, because it is nearly impossible to decide whether the results originate from the teacher's educational skills or the students' potentials.⁴⁵

4. *Is the activity repetitive or non-repetitive?*

If an activity is repetitive it will contribute to a learning effect, which facilitates management control. People affected by the learning effect will become more and more aware of what actions give the desired effects. In other words, what is measured more often is more likely to be improved. A non-repetitive activity will never come back and it is only possible to afterwards draw a conclusion about how things should have been done and no learning effect arises since the situation will never occur again.⁴⁶

2.4 Theoretical Framework Discussion

The theories presented in the theoretical framework serve two purposes; they give a more detailed description of the aspects of the theories and develop how the research questions of this essay shall be apprehended and interpreted. There are three main theories in this essay, two of them, Røvik and Hofstede, will be used to analyze the empirical findings. The third theory, Kaplan & Norton's balanced scorecard, is supposed to enhance the reader's apprehension of the subject, thus the comprehension of from what the studied case's management control system proceeds. Within the area of management by objectives several different perspectives exist, but the authors of this essay have tried to draw a general overall picture of the area.

The authors' of the theories in the theoretical framework are selected because they are all well known and often cited in scientific literature, which shows a general recognition of these theories. Røvik and Hofstede will make it possible to categorize and analyze the various aspects of the research questions. Røvik's theory will display where the translations occur in the translation chain and what happens with the information when translated. Hofstede's theory has been selected because the approach of the article corresponds with this essay's approach towards how a non-profit organization shall be defined.

⁴⁵ Hofstede, p. 3

⁴⁶ Hofstede, p. 3

3. Methodology

The methodology chapter describes the procedure of the study, how it is performed and how the primary and secondary data have been acquired. The validity and reliability of the primary and secondary data in this essay are also discussed.

3.1 The Procedure of the Study

This study is an evaluative case study, this because the acquired data will be described and explained, and also evaluated.⁴⁷ To be able to accomplish a fair and informative data acquisition a broad knowledgebase regarding the subject is required. Initially already known theories will be collected through a literature review in the area. To acquire a broader and better comprehension both English and Swedish literature is used. Some of the theories collected will serve as an analyzing tool that will give the analysis its structure. This procedure will make it possible to connect the theoretical framework with the empirical findings in the analysis without questioning or confirming the theories.

This case study will have a qualitative approach since the situation of Systembolaget is unique in the business world and most theories are not applicable on their situation. A descriptive case study method gives the opportunity to examine and describe the complexity of the organization in Systembolaget. This is the only method that can give a true image of how the reality works. The intention is to use the theories as a tool to describe the authors apprehension of how the reality in Systembolaget looks like and how to handle the issues that arise in management control in the organization due to two main conflicting objectives.

The concept translation is a theoretical construction and it is not a used term within Systembolaget and therefore the primary data acquisition is focused on how the management control works in the organization. Since the management control system at Systembolaget is formulated as a balanced scorecard the authors have to presuppose from this scorecard when acquiring information. Thus, the acquiring of data focuses on how the employees at various levels in the organization use and are affected by the management control system (the balanced scorecard) and not on their views of the translation. Thereafter the authors evaluate the empirical findings and in the analysis establish a translation chain by means of the collected data.

3.1.1 Primary data acquisition

To be able to fulfill the purpose and to answer the research questions of this essay it is required that a translation chain, which follows the translation of the assignment and the return on shareholders' equity demand through the organization, is established and thereby personal interviews are conducted. The personal interviews also contribute to the possibility of obtaining a broad and deep understanding of the specific and complex situation for each respondent. To establish a chain as useful as possible it is important to find respondents at different levels within Systembolaget.

⁴⁷ Merriam, Sharan B., *Fallstudien som forskningsmetod*, Studentlitteratur, Lund, 1994, p. 42

The interviews in the case study are to be conducted in Swedish, this to enhance the quality of the information collected. The quality is enhanced since English is neither the authors' nor the respondents' mother tongue and thereby the understanding of English is inferior to that in Swedish. If the interviews were to be carried out in English there would also be a risk that information could be lost or misinterpreted.

For the interviews to provide the best possible empirical findings all the respondents were sent the questions in advance, so that they would have the opportunity to be well prepared.⁴⁸ To improve the quality of the empirical findings collected both authors are present at all the interviews and document them with a digital voice recorder. To make sure that the respondents answer the questions in a truthful way they are all offered the opportunity to be anonymous. All interviews are conducted at the respondents' place of work, two at the head office in Stockholm and three at a Systembolaget store in Källered, Gothenburg.

3.1.1.2 The Choice of Respondents

To establish the wished translation chain, one employee at five levels at Systembolaget was chosen. The employees were chosen in consideration of their hierarchical position in the organization which is directly affected by the management control system. Since the Swedish Government and the board of Systembolaget are not directly affected by the management control system they are not represented in this case study. To include respondents from these two parties would not contribute or affect the results of this case study since they create the conditions for the management control system. The assignment from the government is never going to be affected by the management control system but the management control system will always be a consequence of the assignment. Therefore additional interviews with these parties would not be relevant when examining the translation process of the management control system.

The management control unit is the producer of the management control system and uses the conditions set by the government and the board and transforms it into a management control system and because of that the translation chain begins with the Head of Control, Maria Alkbrant, at the Head Office in Stockholm. Thereafter the chain consists, in descending order, of users of the management control system: the Sales Manager of the Southern Sales Area, Göran Boman; the Regional Sales Manager, Gothenburg South, Mattias Särholm; the Store Manager in Källered, Anna Jalsborn and a Salesperson in the store in Källered, Gothenburg, Jeanette.

The three first respondents were asked by either telephone or e-mail, if they wanted to participate in the case study. Thereafter Mattias Särholm established a contact between the authors and Anna Jalsborn, who chose Jeanette to be the salesperson respondent.

3.1.2 Secondary data acquisition

The secondary data has been acquired from different sources with different purposes. To be able to form an opinion of Systembolaget as a company and its purpose information has been

⁴⁸ For the Interview Guide see Appendix 1

gathered from public publications and from this an introduction of the essay has been written. The secondary data also serve as the foundation of the theoretical framework. The main focus of this essay is management control and thereby appropriate literature from this field has been used, but the theories regarding management control cannot by itself describe the situation of all the questions asked in the essay. Therefore plain management literature has complemented the management control literature in certain areas.

The secondary data consists, besides of the publications from Systembolaget, of scientific books, papers and theses. These have been collected from the university libraries' catalogues (GUNDA and LIBRIS) and from other essays that relate to similar topics. Some of the literature has been collected through contact with the author of the work. All the theories acquired are comprehensive and tries to describe and categorize all the aspects of a problem and why it arises. They do not try to decide how the problem is supposed to be solved.

Frequently used keywords that have been combined in various combinations:

- Balanced Scorecard
- Conflicting Objectives
- Management
- Management by Objectives
- Management Control
- Non-profit Organization
- Public/state-owned organizations
- Systembolaget
- Translation
- Translation Chain

3.2 The Credibility of the Study

In this section the validity and reliability of the primary and secondary data in this essay are discussed.

3.2.1 Validity

It is important to evaluate whether a study has studied what was meant to be studied, this is called *validity*. An evaluation of the validity has to be done since the conclusions have to correlate with what has been measured. The consequence of not achieving a high validity is that it is not possible to draw any conclusions of the study. The methodical concept of validity can be divided into two separate parts, *internal* and *external validity*.⁴⁹

According to Merriam internal validity measures if the results of the study correspond with the reality and if the authors researches what they think they research. Internal validity can be translated into *credibility*.⁵⁰ To achieve a high level of internal validity the authors have studied an appropriate selection of the available theories that are applicable on the empirical findings. With support of the literature the two issues of this essay has been formulated and they thoroughly defined what will be examined. In combination with the external information gathered internal material from Systembolaget strengthens the validity. Nevertheless, the authors are aware of the fact that the empirical findings are based on personal interviews and thereby are influenced by individual interpretations, which will affect the validity negatively.

⁴⁹ Merriam, p. 174-177

⁵⁰ Merriam, p. 177

External validity is defined by Merriam as to what extent the results of the study are *transferrable* to other situations than the investigated, which means if it is generally applicable.⁵¹ The outcome of this study can be transferred to other parts of Systembolaget and possibly to other organizations in a similar situation. But it will not create a general applicable model for translation processes in such organizations. The external validity of the study is limited due to the uniqueness of the studied situation, which is also the reason why this study is interesting.

Some of the respondents have been selected by a senior manager, which can affect the validity in a negative way. This reduces the opportunity to decide whether the selected respondents are representative for its profession, but to be able to draw generalizing conclusions about Systembolaget it would require a greater study that lies beyond the limitations of this essay.

3.2.2 Reliability

Ejvegård defines reliability as how reliable and useful the study is in form of a measuring instrument and unit⁵². According to Merriam it also measures how accurate the survey is and to what extent the results can be repeated⁵³. This case study has a qualitative approach and thereby it tries to describe the reality from the perspective of the persons surveyed. Merriam means that the qualitative research method does not strive towards establishing laws of the human behavior but that each person studied will have their own interpretation of the reality⁵⁴.

To strengthen the reliability, respondents have been chosen so that a top to bottom translation chain can be established and so that the correct information can be gathered from a person that is familiar with the management control system. This will strengthen the reliability because a well-informed respondent will give the same answers regardless of who is the interviewee or in which situation the interview is made.

⁵¹ Merriam, p.183

⁵² Ejvegård, Rolf, *Vetenskaplig metod*, 2., [rev.] uppl., Studentlitteratur, Lund, 1996, p. 67

⁵³ Merriam, p. 180

⁵⁴ Merriam, p. 181

4. Empirical Findings

In this section the respondents' views on the management control system, which is formulated as a balanced scorecard, in Systembolaget is described. Initially it is given an explanation of the respondents and their relation to the balanced scorecard. Then it is accounted for how the balanced scorecard is formulated in Systembolaget. The empirical findings, which are going to be analyzed and evaluated, are presented in two parts after each of the two research questions. Each subheading begins with a short introduction about what the section will describe and is ended with a summary to facilitate the reader's apprehension. Some parts of the empirical findings will not be directly analyzed in the analysis but serve to describe the underlying perception of the respondents' views on the management control in Systembolaget the authors have experienced during the interviews.

4.1 The Respondents and the Balanced Scorecard

To improve the understanding of the respondents' attitude towards the balanced scorecard, each respondent's own view on their role at Systembolaget and how they use the balanced scorecard depending on their profession is presented.

Maria Alkbrant is the head of control at Systembolaget and she leads and distributes the work at the controller department. This department is responsible for all the processes regarding planning, following-up and analysis. The controller unit helps the board to manage the employees through the management control system by evaluating the results of each performance measurement at each store. The balanced scorecard is an important part of the controller unit's work, because it makes it possible for them to analyze and compare the stores with each other. The comparison is made through dividing the stores into different groups depending on size, location and profitability. During the comparison of the stores the controller unit is responsible to find the stores with the lowest result and then communicate these deviating results to one of the two sales managers.

Göran Boman is the sales manager of the southern sales area and leads 14 regional sales managers and 213 stores. He is responsible for the operational business, thus, the management, the overall economy and the staff issue in his area, but his profession does not include procurement. He uses the balanced scorecard more as a summary tool displaying historical figures than a control tool, because it is fully updated and formed three weeks after month's end. He considers the information by then too old to be used as a management tool. However, when the sales manager of the southern sales area uses the figures from the balanced scorecard as a ground when discussing future plan of actions for each region with the regional sales managers. If the controller unit informs him about deviating results of a store, he informs and discusses this with the concerned regional manager.

Mattias Särholm is one of the regional sales managers Göran Boman is responsible for and his area is Gothenburg South. He is responsible for 13 stores and his main work task is to make sure the assignment from the government is present in the stores and that the customers as well as the employees are satisfied. *"The balanced scorecard with its performance measurements permeates everything we do, all the time,"* says Särholm. He uses the balanced

scorecard to evaluate the stores' performances on a regular basis. If the regional sales manager is informed by the sales manager of the southern sales area that a store does not perform the wished results, he and the concerned store manager discuss the problem and create an individual plan of action for the store.

Anna Jalsborn is one of the store managers Mattias Särholm is responsible for and her assignment is to run the store in Kållerød, Gothenburg, according to Systembolaget's overall assignment and objectives. She also makes sure that the employees are satisfied with their work situation. Jalsborn states that the balanced scorecard is very important in her profession, it creates balance between the different perspectives and it shows in which areas the store must improve its performance. Anna Jalsborn believes it is important to maintain an open dialogue about the importance of the objectives with the employees. She thinks it is unfortunate that most of the performance measurements are updated with one-month delay, since it is difficult to manage the employees with these old figures. If the store in Kållerød deviates from its set targets it is the store manager's assignment to develop a plan of action on how to solve the problems together with the regional sales manager. Then Jalsborn communicates these actions to the employees in the store.

Jeanette is one of the employees in Anna Jalsborn's store in Kållerød, Gothenburg. Besides the everyday chores, handling products and serving customers, she is also responsible for the salaries, the schedule and some of the internal education for newly employed. Jeanette states that she uses the balanced scorecard occasionally in her profession depending on the assignment she is performing. She believes the full-time employees have better knowledge about the balanced scorecard than those who only work a few hours per week. Jeanette considers the information about the performance measurements is easily accessible and she studies them every morning when she gets to work. Despite the fact that each employee is not evaluated individually on the performance measurements, Jeanette states that she feels as she is a part of the aggregated results of the store.

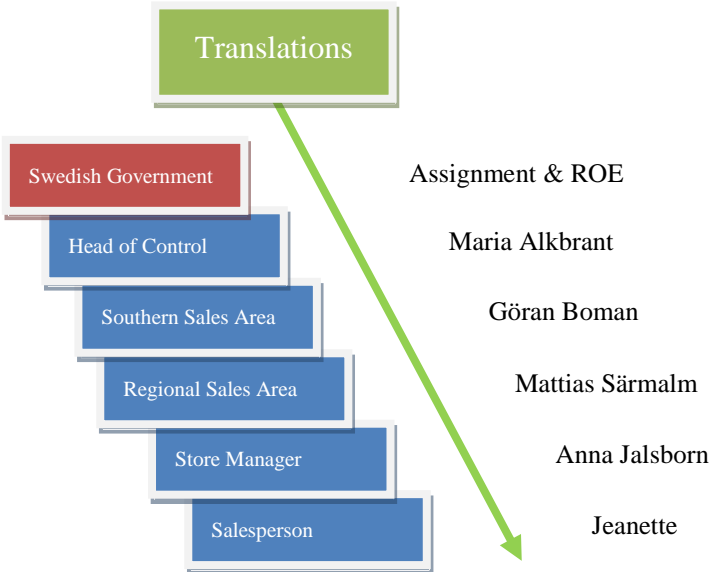


Figure 3 – The Selected Translation Chain
The figure displays the selected respondents at Systembolaget in hierarchical order from the balanced scorecard's point of view.

In conclusion, all the respondents use the balanced scorecard in similar ways, but there are some differences depending on the profession and its duties. The scorecard is mainly used to evaluate the results of the company's different levels. Two of the respondents consider the performance measurements in the balanced scorecard to be updated too seldom.

4.2 The Management Control in Systembolaget

The management control in Systembolaget is based upon a strategic plan, which was in use during this study, and the organization will work accordingly to it until 2013⁵⁵. This plan constitutes an overall picture of the management control system and how, among others, the assignment and the return on shareholders' equity demand shall be achieved. The strategic plan is formulated as a value chain, where the demands from the government are turned into a business concept and from this a main emphasis for the company is established. The main emphasis is divided into five perspectives: Society, Customer, Employees, Suppliers and Financial. The head of control says the main emphasis is supposed to describe how all the employees in Systembolaget should respond to the different perspectives of the strategic plan.

Main Emphasis 2013	
Society	We shall actively contribute to the achievement of a public health oriented alcohol policy and to have strong public support
Customer	We shall through participation develop an cutting edge offer and invite into dialogue about alcohol and health
Employees	We shall have competent and committed employees and managers who carry out and communicate our mission.
Supplier	We shall be transparent and professional, and in dialogue with suppliers meet the customers' expectations
Financial	We must be sustainable and cost-effective in all processes and decisions.

Figure 4 – The Main Emphasis of Systembolaget

The figure displays how Systembolaget defines the five perspectives in the Strategic Plan. (For more information, see appendix 2)

In accordance with the strategic plan appropriate performance measurements have been developed and these measurements are divided into groups after four of the five perspectives at the strategic level. Today there is no performance measurements connected to the newly implemented, fifth perspective, Suppliers, but there is a plan for implementing figures for this part as well says the head of control. These measurements constitute the basis of the balanced scorecard.

⁵⁵ See Appendix 2

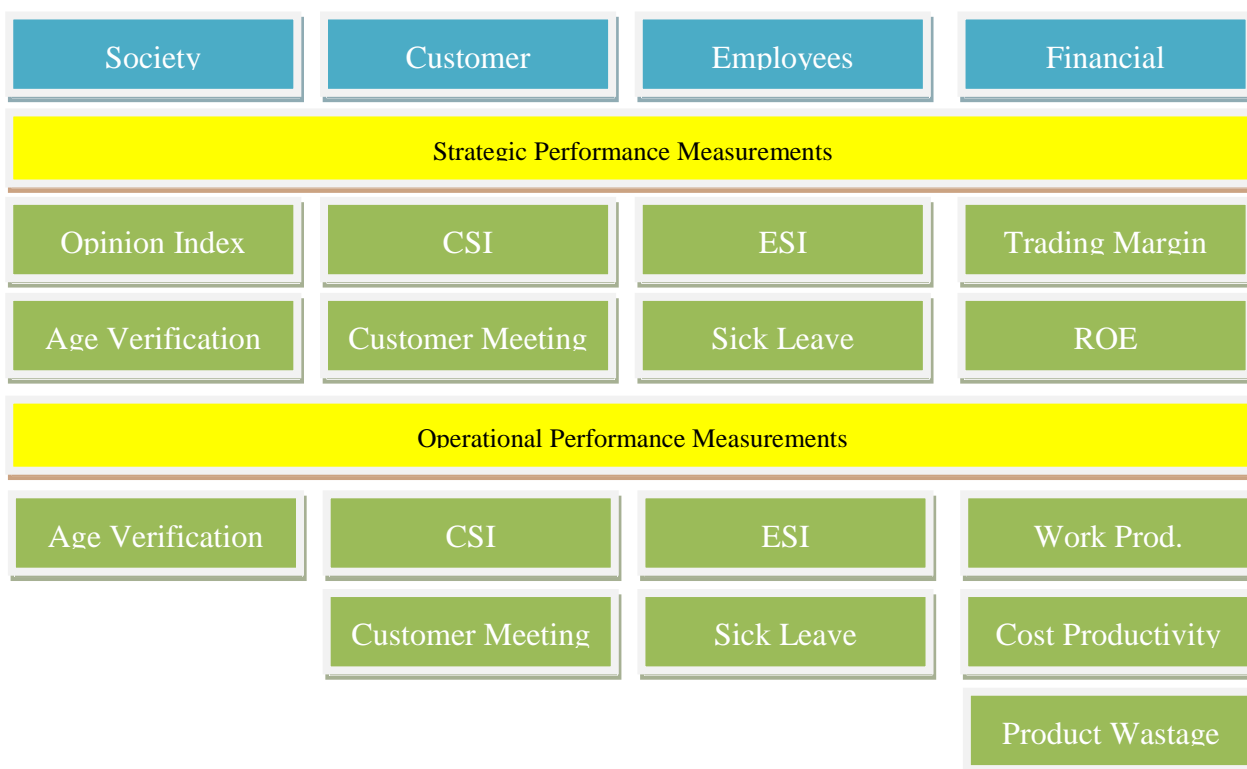


Figure 5 – The Balanced Scorecard of Systembolaget

For definitions see: Appendix 3

The structure of the performance measurements is divided into two levels: the Strategic level and the Operational level. The strategic performance measurements measure the results for the company all in all, while the operational performance measurements measure a specific unit's performance. The performance measurements used are the same at both the strategic and operational level regarding the three first perspectives, Society, Customer and Employees. The only exception is the public opinion figure, which is not measured at the operational level.

Performance Measurement	Number of Measurements
Opinion Index	Once a month
Age Verification	Once a month, updates once a day
CSI	Four times per year
Customer Meeting	Five-twelve times per year
ESI	Once a year
Sick Leave	Continuously
Trading Margin	Continuously
ROE	Continuously
Work Productivity	Once a day
Cost Productivity	Once a month
Product Wastage	Continuously

Table 1 – Number of Updates of the Performance Measurements

The table displays how often the performance measurements of the balanced scorecard are updated.

In the financial perspective there is an evident distinction between the strategic and the operational level. Systembolaget's performance is measured in different ways, at the strategic level the trading margin and the return on shareholders' equity are measured, but at the operational level the work productivity⁵⁶, the cost productivity⁵⁷ and the product wastage are measured. These performance measurements measure the efficiency in the stores and according to the respondents the intension with these performance measurements is to avoid measuring the stores' results in monetary terms.

The target setting in Systembolaget is a top-down process, the information travels from the top levels down through the organization. The controller unit helps the board set the overall targets for the company and this is what the two sales managers and their two sales areas have to achieve. Each sales manager breaks down these targets into regional objectives for every regional sales area. The sales manager of the southern sales area and the regional sales manager state that certain objectives, like the age verification⁵⁸ and the inventory turnover, are only set for Systembolaget as a whole and not for each store. The performance measurements used at the operational level are the same for all units, but the targets differ depending on the unit's situation. On the basis of the regional objectives, the regional sales managers conduct a dialogue with the store managers to find an appropriate level for the targets for each store. When setting these targets, both local conditions and what comparable stores in a similar situation achieve, are considered. The regional sales manager points out that although the performance measurements should be reachable, they also have to be something to strive for.

All the interviewed respondents emphasize the Society perspective and above all the age verification performance measurement to be the most important parts of the balanced scorecard and the main objective of the company as a whole. Both the head of control and the sales manager of the southern sales area, state that the organization can forgo the financial target if it is necessary to achieve the non-financial targets, the age verification, the customer satisfaction and the employee satisfaction. The regional sales manager and the store manager, thinks all performance measurements should be positive in the end of the year, but during a financial year it is allowed to temporarily diverge from the targets.

⁵⁶ The work productivity measures the number of work units processed per day's work (8 hours). The work units are packs after weighting per product group (beer 0,3; wine 1,3; spirits 1). The products are weighted after how time demanding it is to sell them.

⁵⁷ The costs which the employees can affect in their daily work, divided by the number of work units processed.

⁵⁸ The age verification is measured through mystery shopping. Every year 6000 mystery shoppers, in the age between 20 and 25, visit the stores of Systembolaget without the employees' knowledge. This investigates to what extent the employees request proof of age of the customers buying alcoholic beverages.

4.3 The Translation Process

The empirical data in this section will make it possible to answer the first research question of this essay. It will be accounted for how the assignment and the return on shareholders' equity demand are reflected in the balanced scorecard.

4.3.1 The Assignment and the Return on Shareholders' Equity Demand in the Balanced Scorecard

This section contains the respondents' views on how the assignment and the return on shareholders' equity demand are represented in the balanced scorecard and what the respondents believe is the most important message of the scorecard. This passage is supposed to convey how the assignment and objectives of Systembolaget are individually translated through the organization.

The head of control, *Maria Alkbrant*, declares it is hard to measure if Systembolaget contributes to limit the harm made by alcohol consumption, the assignment from the government. However, one way of measuring it is to measure the age verification, and in the CSI-survey, asking if the customers think that Systembolaget makes a difference. She also says that SoRAD⁵⁹ at the University of Stockholm once a year measures the amount of alcohol the Swedish population over 15 years consumes every year. Maria Alkbrant states that there have been several attempts to try to measure the assignment without any great success and there is no way to measure it at the operational level.

Alkbrant considers the work productivity to be the most important performance measurement when measuring if Systembolaget will reach the return on shareholders' equity demand from the government or not. The work productivity is important since the labor cost is the biggest cost item after cost of goods sold for Systembolaget. The cost productivity is important as well. These two measurements are supposed to improve the internal efficiency and are also the way in which Systembolaget measures the return on shareholders' equity at the operational level. The corresponding measurements at the strategic level are, according to Alkbrant, the return on shareholders' equity and the trading margin.

Maria Alkbrant's personal view is that the most important message the balanced scorecard shall convey is the importance of achieving balance between all perspectives and thereby achieving the set targets. She also states that when this balance is achieved it is possible to lead the whole business in the same direction.

⁵⁹ Centrum för Socialvetenskaplig alkohol- och drogforskning vid Stockholms universitet. Centre for Social Research on Alcohol and Drugs at the University of Stockholm.

The sales manager of the southern sales area, **Göran Boman**, claims there are different ways of measuring to what degree Systembolaget is working according to its assignment. Today the age verification is the only performance measurement measurable, but new management control measurements are under development. According to Boman, Systembolaget investigates the feasibility to measure how health is communicated to the customers in the stores. He wants the company to be able to: “*contribute to a better health without becoming a health police*”.

Boman shares Alkbrant’s view that work productivity is the most important measurement when evaluating the financial perspective. It is important to have financial objectives in order to make the organization always striving towards efficiency, but Boman says the target has to be modest and reachable. His biggest assignment is to make sure the stores are properly manned since the labor cost is the costs item Boman experiences he can affect the most. The manning level should be at a balanced level, so both the work productivity and the customer satisfaction objectives are reached. This balance has to be reached since there is a tradeoff between these two performance measurements.

The balance in the organization’s objectives is the most important role of the balanced scorecard, according to Boman. It is important to set reasonable objectives, which are possible to reach, to make the employees feel recognition. He describes this balance as a four-engine aircraft; all the engines have to operate at the same speed to be as effective as possible. In Systembolaget’s organization these four engines are the four perspectives in the balanced scorecard. According to the sales manager of the southern sales area all the perspectives have to focus on the customer and the meeting with the customer, since they are the reason why Systembolaget can continue to exist.

Just like the head of control and the sales manager of the southern sales area, the regional sales manager, **Mattias Särholm**, believes the age verification to be the most important way of measuring if Systembolaget contributes to limit the harm made by alcohol consumption. He claims this measurement holds an exceptional position among the performance measurements.

Särholm states that his performance in relation to the return on shareholders’ equity is not valued in profit, but in work productivity. This makes sure that the regional sales managers focus on efficiency rather than sales. He claims that if the work productivity target is reached, the return on shareholders’ equity target will also be achieved.

The regional sales manager believes the age verification to be the most important measurement in the balanced scorecard and that the assignment from the government should permeate the whole organization. However, all of the measurements are important and they have to be balanced.

The store manager, **Anna Jalsborn**, considers the message about how Systembolaget can contribute to limit the harm made by alcohol consumption is spread fast through the

organization. She and her employees try to work in accordance with the assignment by carrying through the age verification and by only recommending one option to the customer and thereby not engaging in additional sales. Another way of contributing to a reduced alcohol consumption level is to always suggest a non-alcoholic alternative.

Jalsborn alleges that her performance is not measured in return ratios and it is the work productivity that measures if her store has achieved its part in the return on shareholders' equity for Systembolaget. Positive work productivity is reached through a balance between the number of employees working during a day and how many units sold. The store manager wants to have a balance between all the perspectives in the balanced scorecard in order to produce a harmonious working environment and make the employees feel good and stay healthy. She also mentions that she wishes for her employees to be more involved in the work with the performance measurements. She has written the measurements on a whiteboard in the personnel space so it is visible to all employees in the store.

The salesperson, *Jeanette*, considers the age verification to be the most important performance measurement in the balanced scorecard, but she also considers the work productivity and the customer meeting important. "*Systembolaget has conveyed the importance of the age verification clearly,*" says Jeanette. The age verification is the concrete part of how the assignment from the government is supposed to be achieved and Jeanette considers the other parts as more abstract. She considers the assignment to be more than the age verification and would like to have more instructions on how to prevent alcoholism and peddling. Jeanette says it is hard to know exactly what to do for the whole assignment to be fulfilled.

All the respondents consider the assignment from the Swedish government to be represented in the balanced scorecard by the age verification performance measurement and some of them add that the CSI performance measurement is important as well. Disregarding the performance measurements in the balanced scorecard the respondents argue that they all work in accordance with the assignment and thereby not engage in additional sales. According to the respondents, the financial demand is represented by the work productivity objective, but the balance between the perspectives is important to the employees.

4.4 The Management Control System and the Conflicting Objectives

This section contains what affects the performance measurements given and the respondents' views on the existence of conflicting objectives in Systembolaget. It will also be accounted for how this goal conflict is handled at different levels in the organization. This section will provide the necessary empirical data for answering the second research question of this essay.

4.4.1 The Effects of the Balanced Scorecard

In this section it will be accounted for how the balanced scorecard and its performance measurements affect the employees and if the intended effects are reached. This is studied in order to determine if the balanced scorecard is making the respondents work in accordance with the owner's demands.

The head of control, ***Maria Alkbrant***, believes that the balanced scorecard gives the control effects it is supposed to give; she thinks it is hard but necessary to balance the different perspectives. A lot of focus is put on the age verification and work productivity measurements and these targets are measured more often and because of this they get more attention than the other performance measurements. Alkbrant declares that this is something Systembolaget tries to change by measuring the CSI several times a year and also to work more with the ESI and develop new performance measurements regarding the employees. The head of control believes the performance measurements contribute to motivate and change the behavior of the employees because: *“what you measure is what you get”*. She says that if the age verification had not been a performance measurement, the number of controls would not have been as big as they are today. The same reasoning is applicable to CSI: if the surveys are made more often, Alkbrant believes the employees are more motivated to serve the customers.

The sales manager of the southern sales area, ***Göran Boman***, claims that the balanced scorecard gives the effect of Systembolaget not maximizing their profits, but it leaves much more to be desired. It has been too focused on quantitative figures, but with the new strategic plan it will be more balanced with qualitative as well. Boman believes the new balanced scorecard offer better tools for evaluating and balancing both financial and non-financial objectives. He is of the opinion that Systembolaget’s use of performance measurements both controls and motivates the employees. The performance measurements control how the employees perform their assignments and motivate them to act in accordance with the measurements and thereby the overall objectives and assignment. Boman believes what the company measures is what they communicate and is therefore also what the employees try to fulfill. Today measuring performance is not considered as something bad, it is a way of motivating and acknowledging the employees.

The regional sales manager, ***Mattias Särholm***, says it is clearly stated in the organization that the balance is very important and he uses Boman’s metaphor with the four-engine aircraft to describe this. The store managers’ involvement in the target setting process makes it possible for the balanced scorecard to have a greater impact on the organization. Särholm states, however, that it is easy to focus more on the performance measurements measured often, than on those measured less frequently since it is easier to notice changes in the performance measurements when they are updated daily. He thinks the regional sales manager and the store manager use the performance measurements to greater extent than the employees. *“I think all people want to have objectives,”* Särholm says. He believes the employees at Systembolaget act in a different way than they would have done otherwise. The objectives motivate the employees to always develop and improve their performance. At the same time the performance measurements are used to evaluate the performances and thereby lead everyone in the organization in the same direction.

The store manager, ***Anna Jalsborn***, believes the performance measurements have the intended effect. *“When we are measured we improve ourselves and we strive towards that which is measured,”* Jalsborn says and states that the age verification has improved since

Systembolaget began measuring it. This statement is verified in Systembolaget's annual report, which shows that the age verification has improved over the years⁶⁰. Jalsborn considers it to be a good balance between the financial and non-financial performance measurements in the balanced scorecard. The performance measurements control a lot of the work situation and it is clearly stated within the organization how to work within Systembolaget. She believes the performance measurements definitely make her and her employees to act in a different way from what they would not have done without them. The measurements are both controlling and motivating and when necessary, Jalsborn also uses the balance scorecard to motivate decisions.

"Of course it is good to have objectives, but I do not think I act in a different way with or without them," the salesperson, **Jeanette**, says. She thinks it is a personal responsibility to work in accordance with the organization's beliefs and above all to accomplish the age verification. The objectives help her to know what is expected of the store and if it actually succeeds.

Most of the respondents stress that the balance between the financial and non-financial objectives is important and believe the performance measurements to be both motivating and controlling. All the respondents think that the performance measurements give a positive effect, but some of them state that there are shortcomings in the balanced scorecard.

4.4.2 The Main Objectives in the Translation Chain

In this section it is accounted for the respondents' views on the existence of conflicting objectives in Systembolaget. It is also presented how an eventual goal conflict would be handled according to the respondents.

The head of control, **Maria Alkbrant**, argues that it does not exist any conflicting objectives at the overall level, since the return on shareholders' equity the government demands, does not require a high level of effort. According to Alkbrant, the non-financial perspectives are more important than the financial. She also states that if it would arise a situation where it would be hard to achieve the demanded return without forgoing the non-financial, it would be possible to lower the financial target. Even if Alkbrant says there are no conflicting objectives at the overall level, she admits that some of the store managers think that Systembolaget put too much weight on generating high work productivity, which makes it difficult to reach a high level of customer satisfaction. Maria Alkbrant however believes this is not the case.

"As it is formulated today, the objectives do not conflict with each other," the sales manager of the southern sales area, **Göran Boman**, says. In order to keep the objectives from conflicting with each other, it is important to have a continuous dialogue within the organization. When a problem, which can create a conflict, arises it is important to solve it through communication before the objective conflict becomes an issue. The performance measurements set by the board give the effect that the employees does not get tempted to maximize the profit and that is also the owner's wish. Göran Boman claims the board shares

⁶⁰ Systembolaget, *Annual Report 2009*, p. 74

his view that an improved customer meeting is allowed to cost resources and above all lower work productivity.

In the long run the regional sales manager, *Mattias Särholm*, claims a situation shall not arise where a store manager has to choose which objective to focus on. It is important to always find a balance in order to keep a goal conflict from arising. However, he states that occasionally, in the short run, it can occur a temporary situation where the store manager has to focus on one of the performance measurement to solve a specific problem. Särholm says a goal conflict can arise in a situation like this, but then it is up to the store manager to choose how it should be handled. He claims it does not arise a conflict between the age verification and the other performance measurements, since the verification always should be performed no matter the situation in the store.

The store manager, *Anna Jalsborn*, states that sometimes it can be hard to combine the work productivity and the customer satisfaction. She argues that occasionally the time is not enough to both help the customers and to manage the other chores, especially handling the goods. If the target for the work productivity is too high, the employees' health will suffer and thereby a goal conflict can arise.

Jeanette experiences the budget to be very tight and it can sometimes be hard to accomplish both the work productivity and the customer satisfaction, because there is not enough time and employees. If it would arise a conflict between the age verification and other objectives, the age verification is always the most important, which means the other objective has to stand back. *"Of course the work productivity is important, but we have an assignment and the board has clearly stated that it is the most important objective to fulfill"* says Jeanette.

The respondents have different views on if the goal conflict exists or not. The two respondents working in direct contact with customers think it sometimes can be hard to combine the work productivity and customer meeting and the respondents at superior levels argue that this conflict should not arise.

5. Analysis

In the analysis the empirical findings are analyzed and interpreted using the theoretical framework. This analysis shall lead to the answering of the research questions of this essay. The analysis is focused on evaluating how the management control system of Systembolaget interrelates and if it is connected to the assignment and objectives of the organization. The presentation of the empirical findings has been focused on the respondents' apprehension and interpretation of the balanced scorecard. In the analysis this data is transformed into a theoretical translation chain formed by the authors. It is also discussed what makes the main objectives conflicting and if the management control system can handle this issue.

5.1 The Translation Process

In this part of the analysis it is accounted for how the assignment and the return on shareholders' equity demand of Systembolaget are translated by each respondent. Each translation is analyzed with the translation process theory of Røvik and then the theoretical translation chain is established. From this categorization the consequences of each translation are analyzed and it is evaluated how the entire translation process affects the employees' apprehension of the two main objectives.

Translations will always occur in organizations with more than one employee. In the view of Systembolaget, a perfect translation would be what Røvik would call a *concretization* of the assignment and the return on shareholders' equity demand at all levels in the organization. Thus, these two main objectives would be translated into targets capturing all aspects of the objectives.

5.1.1 Translation of the Assignment

The performance of the head of control at Systembolaget, Maria Alkbrant, is not evaluated through the balanced scorecard and therefore she is more interested in how the company overall performs. She evaluates the performance of the company by taking into account both the balanced scorecard and other measurements available in the society. In this case the performance of Systembolaget can be measured by the survey made by SoRAD. The translation of the assignment done by the head of control implies that she makes what Røvik would consider as a *combination*. Thus, she combines the balanced scorecard with external measurements. As the performance measurements are formulated today, the sales manager of the southern sales area, Göran Boman, focuses his translation of the assignment into the age verification performance measurement, which indicates that the assignment is translated through *partial imitation*. The age verification cannot alone translate all the aspects of the assignment, but Boman states that the performance measurements under development shall improve this translation. If the development of new performance measurements is successful, the partial imitation will turn into a *concretization*. It is evident that Boman's apprehension of translating the assignment by partial imitation has permeated the organization. The regional sales manager, Mattias Särholm, as well as the salesperson, Jeanette, argues that the age verification is the only way of measuring the target achievement. The store manager, Anna Jalsborn, shares this apprehension, but adds that another way of working in accordance with the assignment is to increase the amount of sold non-alcoholic alternatives and only suggest

one option to the customer. According to Røvik’s theory, her translation would be categorized as a *combination* because the performance measurements of the balanced scorecard are combined with other ways of achieving the assignment.

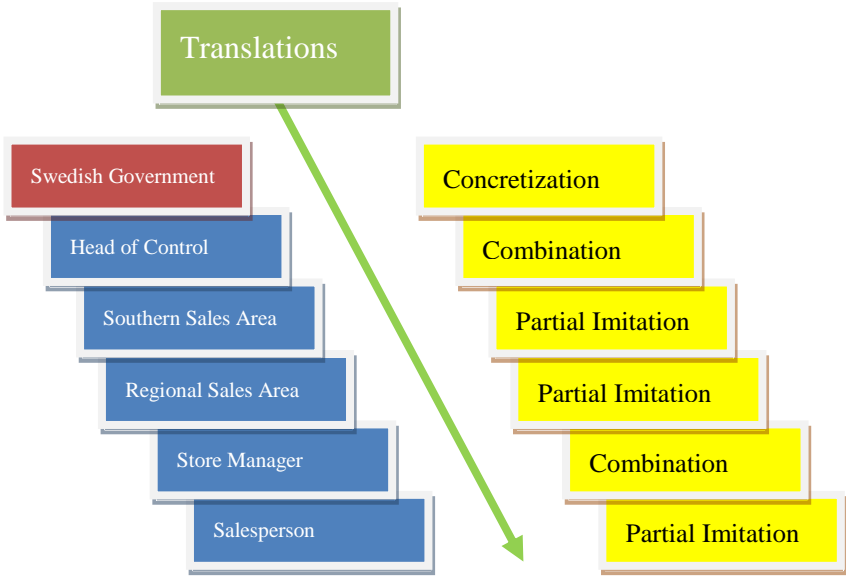


Figure 6 – The Translation Chain of the Assignment
The figure summarizes the selected respondents’ translations of the assignment (Yellow) categorized according to Røvik’s theory.

5.1.2 Translation of the Return on Shareholders’ Equity Demand

How the head of control translates the financial objectives can be categorized as a *concretization*. Alkbrant takes into consideration the results of the performance measurements at both the operational and the strategic level. It is a concretization since all the aspects of the financial demand from the government can be observed and translated by this profession. The subsequent respondents in the selected translation chain all translate the return on shareholders’ equity demand by *partial imitation*. They work at the operational level where the performance is not measured in monetary terms, which makes it impossible to directly concretize the trading margin and return on shareholders’ equity.

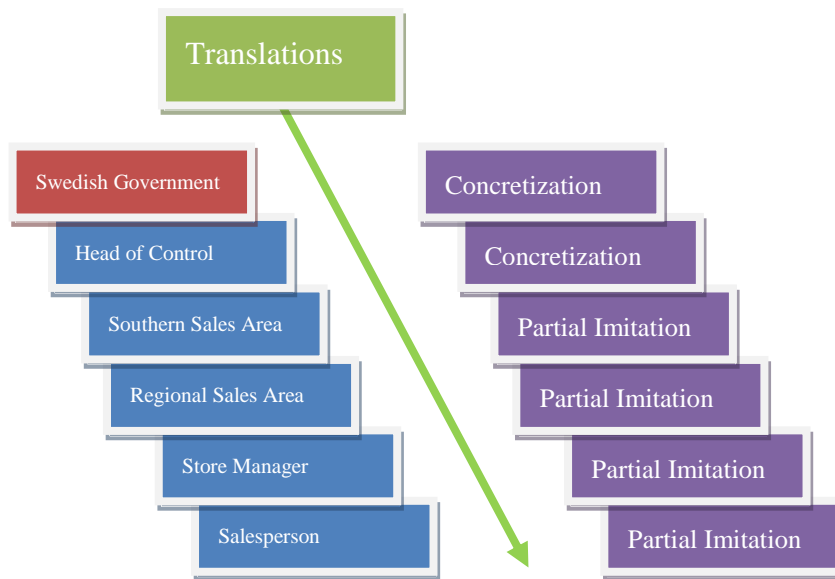


Figure 7 – The Translation Chain of the ROE demand
The figure summarizes the selected respondents' translations of the return on shareholders' equity demand (Purple) categorized according to Røvik's theory.

5.1.3 The Consequences of the Translations

When translating the assignment and the return on shareholders' equity demand it can be established that various translations through the organizations' levels occurs. There is a difference between how the non-financial and financial objectives are translated.

The most evident translation of the assignment is done when the head of control and the controller unit breaks down the assignment into measurable terms for the balanced scorecard. As in all organizations, problems arise when an abstract vision is formulated into concrete objectives, which all should have meaning for each employee. The balanced scorecard created does not capture all aspects of the assignment since the only performance measurement measuring the assignment is the age verification. As most of the respondents state, the assignment is more than just the age verification and more performance measurements are needed to capture more aspects of the assignment. When the assignment has been incorporated in the balanced scorecard and the employees at the operational level implement the performance measurements, the translations between levels are relatively unchanged. This can be motivated by the similar answers from the respondents. They all agree they base their work on the balanced scorecard and after it is formulated by the controller unit it does not translates through the organization. In conclusion, it can be stated that the balanced scorecard does not capture all aspects of the assignment, but the aspects captured permeate all the organization's levels.

All the aspects of the return on shareholders' equity demand are concrete and measurable, in one way or another, at all levels of the organization and thereby it is easier to create accurate performance measurements. It would be possible to measure both the trading margin and the return on shareholders' equity for each store, but when the head of control and the controller

unit concretize the demand into performance measurements it is done to gain the desired control effects. For example, not measuring the stores' performances in monetary terms but in work productivity entails that the employees are not tempted to sell products because of a higher profit margin, which is consistent with the demand of being neutral to different trademarks.

Even though the translation of the assignment is incomplete, the employees in the translation chain have the same view on how to translate it. Since all aspects of the return on shareholders' equity demand are translated, there is no room for interpretation and all the respondents agree on how to use it in their respective profession. All respondents know the meaning of each performance measurement and also why they are measured. Those aspects of the two main objectives of Systembolaget captured in the balanced scorecard are well communicated through the organization. In conclusion, what is measured is also what Systembolaget succeeds to control through its management control system.

5.2 The Management Control System and the Main Objectives

In this part of the analysis it is accounted for if the management control system makes it possible to run the organization in accordance with the two main conflicting objectives. For this analysis Hofstede's theory regarding management control in public and not-for-profit organizations serves as an evaluating tool and each criterion displays what demands the assignment and return on shareholders' equity demand of Systembolaget make on the management control system.

5.2.1 The Demands on the Management Control System

In the following section the empirical data is categorized and evaluated on the basis of the theory of Hofstede. This theory makes it possible to analyze what the conditions are for the efficiency of the management control system. An efficient management control system will give the effects intended and make the organization work in accordance with its overall vision and objectives.

1. Are the objectives unambiguous or ambiguous?

All respondents agree on how the assignment and the return on shareholders' equity demand should be interpreted. But there is a lack of knowledge about if the interpretation of the assignment contributes to achieve this objective. The two main objectives are not ambiguous since they are clearly formulated and leave little room for interpretation. The fact that the objectives are not ambiguous means there is a great potential for creating an efficient management control system.

2. Are the outputs measurable or non-measurable?

The return on shareholders' equity demand is a plain financial objective and it is possible to measure the outputs. However, the assignment is mostly a qualitative objective; some of its aspects can be measured in a quantitative way, but it is difficult to quantify all aspects of it. When management by objectives is used it is important to be able to measure the outputs and

if this is not possible, as in the case of Systembolaget, it is difficult to formulate an efficient management control system.

3. Are effects of management intervention known or unknown?

This criterion both enhances and impairs the conditions for creating an efficient management control system. The performance measurements of the financial part of the balanced scorecard make the organization more efficient, since the employees are more aware of the resource consumption. Through the intervention of these performance measurements it is made clear how different actions change the results and thereby an efficient management control system can be created. Regarding the non-financial part of the balanced scorecard the empirical findings have shown that the age verification has improved a lot since the introduction of this performance measurement. Nevertheless, the age verification is, as mentioned before, the only way to know if the management control changes the employees' work behaviour regarding the non-financial assignment. The problem arises because it is difficult to define the actions, which would give positive effects on the assignment. Thus, the effects of the management intervention regarding the assignment are unknown apart from the age verification. This impairs the conditions for an efficient management control system.

4. Is the activity repetitive or non-repetitive?

All the performance measurements in Systembolaget measure more or less repetitive activities and thereby it is possible to learn what actions give the desired effect. Both the head of control and the regional sales manager agree on Hofstede's opinion that what is measured more often is improved to a greater extent. Since most of the activities in Systembolaget are repetitive, the management control system will be easier to implement and make efficient.

By means of Hofstede's four criteria it is established that the assignment, not the return on shareholders' equity demand, makes great demands on the management control system of Systembolaget. If only the first criterion would be taken into consideration it would not be difficult to create an effective management control system. Thus, ambiguity is not a problem in Systembolaget. The fourth criterion facilitates the creation of an efficient management control system because all activities are repetitive and possible to learn and develop from. The difficulty in creating an effective management control system in Systembolaget can partially be explained by the complexity of the second and third criteria. Since not all aspects of the assignment can be measured it is impossible to create a completely efficient management control system. The difficulty of measuring the output also makes it difficult to know which management interventions will make the employees work in accordance with the assignment. In conclusion, there are conditions in Systembolaget that in theory should make it difficult to establish an efficient management control system. However, all respondents have similar apprehensions of the purpose and the intended effects of the management control system. This implies that there is something which in practice gives the management control system a coordinating effect even though it should be difficult to do this according to Hofstede's theory.

5.2.2 Is the Organization Run in Accordance with the Two Main Conflicting Objectives?

In theory the assignment and the return on shareholders' equity demand of Systembolaget are conflicting. Increased sales (and thereby a higher return on shareholders' equity) would contribute to increased alcohol consumption, which would statistically increase the harm made by alcohol consumption and this is contrary to the assignment⁶¹. Thus, it will always exist an underlying conflict between these two objectives in Systembolaget, which the management control system must handle if it shall be possible to run the organization in accordance with the two main objectives. During the interviews it has been clear not one of the respondents regard this specific situation as conflicting. There are two probable reasons why the respondents have this view of the situation. According to the respondents the conflict never arises since it is clearly stated if a conflict would arise there are no doubt about that the assignment has a superior priority and can be achieved at the expense of the other performance measurements. This first reason indicates there is an existing conflict but that the respondents do not regard it as a conflict since it is avoided through this priority. The fact that the assignment is translated into the age verification and the achieving this performance measurement does not, according to the respondents, impair the efficiency in the company, states the second reason. The age verification does not impair the efficiency since it only requires a few extra seconds per customer and thereby the work productivity is basically unchanged.

The three respondents at the higher hierarchical levels, the head of control, the sales manager of the southern sales area and the regional sales manager, all argue it does not exist a conflict between the assignment and the return on shareholders' equity demand. The store manager and the salesperson agree on what their superiors argue, however, they declare that sometimes a conflict arises between accomplishing the work productivity and the customer satisfaction. This shows there is a conflict between objectives in Systembolaget, but it does not concern the assignment. Even though a conflict between these objectives sometimes occurs, it never affects to what extent the age verification is accomplished. The conflict between efficiency and customer satisfaction is not unique to Systembolaget; conflicts between these two performance measurements exist in most organization in the society. Enhancing the customer satisfaction will always cost resources and thereby efficiency. If it were assumed the age verification is the performance measurement reflecting all aspects of the assignment, the respondents' answers would show that the conflict between the assignment and the return on shareholders' equity demand is solved before it even becomes reality. However, if more aspects of the assignment would be taken into account in the balanced scorecard, the risk of a conflict would be greater. If other aspects of the assignment are translated into performance measurements and incorporated in the balanced scorecard the prevailing balance would be disrupted and thereby the management control system would be exposed to higher demands.

⁶¹ In practice an increase in sales of alcoholic beverages for Systembolaget does not have to increase the alcohol consumption in Sweden because the sales level can be affected positively or negatively by the cross-border trading. In this case the effects of cross-border trading are disregarded because the case study only regards what Systembolaget can affect by its management control.

There would be a greater focus on the assignment and it would be more difficult to create a balance handling the conflict in an appropriate way.

The conditions for the management control system are very complex and with several dimensions. This originates from the unique situation of Systembolaget; the management control system has to, as mentioned before, deal with a situation where the non-financial public welfare objective is superior to the financial one. Since the financial objective is easier to translate into measurable terms it is also easier, according to Hofstede, to formulate an efficient management control system making the employees work in accordance with the objective. Systembolaget has no problem communicating how the return on shareholders' equity demand should be achieved and this case study has shown that the respondents work in accordance with it. All respondents have similar apprehensions on why the different performance measurements are measured and how this is going to help achieving the return on shareholders' equity demand.

The major problem when trying to establish an efficient management control system in Systembolaget is translating and quantifying the assignment into measurable terms. Today only some aspects of the assignment are captured in the balanced scorecard. As several respondents point out; the assignment consists of more aspects than the age verification, which cannot be captured by the management control system. Since the translation of the assignment is incomplete the performance measurements in the balanced scorecard are focused on the financial target and an imbalance between the two main objectives should be created. However, the respondents consider it to be a good balance between the financial and non-financial objectives and stress the importance of the assignment being superior. During this case study this balance has been observed, all the respondents mention the assignment and the financial performance measurements as separate objectives not conflicting with each other. This separation can be done since the translation of the assignment is incomplete and the age verification is not affecting the accomplishing of the other performance measurements. The incomplete translation of the assignment makes it easier to balance all the performance measurements and solve the underlying conflict. Thereby it can easily be misinterpreted as the organization is run in accordance with both of the two main conflicting objectives. Most of the respondents are aware of the lack of sufficient performance measurements measuring the accomplishing of the assignment, but at the same time they all argue that they work in accordance with the assignment. This shows even though the management control system cannot make the employees work in accordance with the assignment, there is something making them believe they do.

It is impossible to measure exactly to what extent the organization is run in accordance with the assignment because it is unknown which management interventions promote the accomplishing of the assignment. Today guessing is practically the only way to know which management interventions should be encouraged. However, the respondents seem to strive towards working in accordance with the assignment through aspects outside the management control system, for an example always suggesting a non-alcoholic alternative and not engaging in additional sales. Systembolaget is good at management control because the

aspects captured by the balanced scorecard are accomplished and the employees adapt their work after the performance measurements. If better performance measurements reflecting more aspects of the assignment would be formulated the wished control effects would probably be accomplished. However, then it would also be more difficult to balance the two main conflicting objectives.

A management control system is not the answer to all issues in a company and a lot indicates that the culture in Systembolaget contributes to run the organization in accordance to the assignment even though it is difficult to evaluate the actual results. It seems like the assignment is a fundamental value, which is more valued than the pointers of the management control system.

6. Conclusion

This section answers the research questions based on the analysis of the empirical findings. It also contains some reflections by the authors regarding the development of the management control system in Systembolaget. This is followed by a discussion regarding suggestions for further research in developing the management control in Systembolaget.

6.1 Conclusions

The purpose of this essay is, as mentioned in the introduction, to describe, analyze and evaluate how management control can be used in an organization, which is not profit maximizing and has both non-financial and financial objectives. From the empirical findings and analysis following conclusions can be drawn:

- *How are the assignment and the return on shareholders' equity demand of Systembolaget translated through the levels of the organization?*

It can be concluded that the translation of the assignment is incomplete and only a few aspects are captured in the management control system. The most evident translation of the assignment is done when Systembolaget tries to quantify the abstract assignment into performance measurements and thereafter it is relatively unchanged through the organization's levels. Systembolaget has no problem translating the return on shareholders' equity demand and the formulated performance measurements capture all the wished aspects of this objective. There are two major translations of the return on shareholders' equity demand, the first at the strategic level and the second at the operational level in Systembolaget.

Those aspects of the two main objectives of Systembolaget captured in the balanced scorecard are well communicated through the organization and all respondents know the meaning of each performance measurement and also why they are measured.

- *Does the management control system make it possible to run the organization in accordance with both of the two main conflicting objectives?*

The respondents have the opinion that they work in accordance with both the assignment and the return on shareholders' equity demand. However, the translation of the assignment is incomplete and it is impossible to determine if they really run the organization in accordance with the assignment, since the output from management interventions are unknown and non-measurable. It can be concluded that the management control system makes it possible to run the organization in accordance with the return on shareholders' equity demand since all aspects of it can be measured.

The incomplete translation of the assignment facilitates the possibility to combine the two main conflicting objectives. If more aspects of the assignment had been taken into consideration it would be more difficult to balance and combine the non-financial and financial objectives.

Those aspects of the two main objectives of Systembolaget captured in the management control system are well communicated through the organization. In conclusion, what is measured is also what Systembolaget succeeds to control through its management control system.

6.2 General Conclusions

Although the analysis of this essay is concentrated to a specific case, some generalizing conclusions can be drawn. An efficient way of running an organization in accordance with both financial and non-financial objectives is to only translate the aspects of the objectives which are not conflicting with each other. This makes it possible to run an organization in accordance with several objectives, but it is difficult to evaluate to what extent the overall objectives are achieved.

A non-profit organization's work is often based on non-financial objectives, which are difficult to quantify and measure. Solely translating quantifiable aspects of these objectives solves the problem, but it is still difficult to evaluate the performance of the non-quantifiable aspects. In these organizations a management control system cannot solve all the management issues and something else, for an example culture, has to complement the management control system for the organization to be run in accordance with the overall objectives. Complementing the management control system can make the employees to strive towards common objectives; however, it is impossible to measure the outcome in quantitative terms.

6.3 The Authors' Reflections

During this case study reflections regarding the development of the management control system in Systembolaget have been raised. Most of the respondents agree to that selling more non-alcoholic alternatives will contribute to limit the harm made by alcohol consumption and they wish for more performance measurements to measure to what extent the assignment is fulfilled. Today there is no performance measurements measuring the amount of non-alcoholic alternatives sold in each store. However, only measuring the amount of non-alcoholic alternatives sold would make no difference if the amount of alcoholic beverages sold would be unchanged, it would only contribute to the achievement of the return on shareholders' equity demand and not the assignment. A suggestion is that a performance measurement measuring *the non-alcoholic alternatives share of total sales* should be formulated and incorporated into the balanced scorecard. This would give a control effect and encourage the stores to sell non-alcoholic alternatives instead of alcoholic beverages. Since Systembolaget is good at making the employees understand how and why to use the performance measurements in their work situation, this new performance measurement would probably have the desired effect as well.

6.4 Further Research

There are several aspects of this subject which have not been incorporated in this essay due to its limitation and some of them the authors would like to suggest as further research:

- One of the shortages of this essay is the limited possibility to draw general conclusions regarding the employees' perception of the management control system in Systembolaget. If a further and wider case study could be conducted, more translation chains could be established and the generalizability of the results of the study would be secured.
- Develop the management control system in Systembolaget with new performance measurements which can enhance the translation and thereby the measurability of the assignment.
- Investigate further what is making the employees believe the management control system makes them work in accordance with the assignment even though the management control system from a theoretical perspective should not be able to do this.

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Interviews

Head of Control – Maria Alkbrant, 100427 (60 minutes)

Sales Manager of the Southern Sales Area – Göran Boman, 100427 (45 minutes)

Regional Sales Manager – Mattias Särholm, 100430 (40 minutes)

Store Manager – Anna Jalsborn, 100430 (35 minutes)

Salesperson – Jeanette 100430, (25 minutes)

Internal Information from Systembolaget

The Balanced Scorecard

The Strategic Plan

8. Appendix

8.1 Appendix 1 – Interview Guide

This is the questions which the interviews are based on, in Swedish and translated to English.

Maria Alkbrant – Head of Control

Din roll på Systembolaget – Your Role at Systembolaget

- ◆ Beskriv dina arbetsuppgifter
- ◆ Describe your duties

- ◆ Hur använder du styrkortet i din arbetsituation?
- ◆ How do you use the scorecard in your working situation?

Styrkortet i allmänhet – The Scorecard in General

- ◆ Systembolaget har ett avkastningskrav från ägarna, hur avspeglas detta i styrkortet?
- ◆ Systembolaget has a return on shareholders' equity demand, how is this reflected in the scorecard?

- ◆ Hur avspeglas uppdraget från staten, "*Bidra till att minska alkoholens skadeverkningar*", i styrkortet?
- ◆ How is the mission from the government, "*contribute to reduce the harm made by alcohol consumption*", reflected in the scorecard?

- ◆ Kan du beskriva hur styrkortet och dess nyckeltal bryts ner i de olika leden i organisationen?
- ◆ Can you describe how the scorecard and its key figures are broken down through the levels of the organization?

- ◆ Anser du att styrkortet ger de effekter i organisationen som är avsikten att det ska göra?
 - Upplever du att någon styreffekt försvinner när uppdraget och målet bryts ner genom organisationen och i så fall, vad?
- ◆ Do you think the scorecard gives the intended effects in the organization?
 - Do you experience that any control effects disappear when the assignment and the objective are broken down through the organization, and if so, what?

- ◆ Vad tycker du är det viktigaste som du vill att styrkortet ska förmedla till de anställda?
- ◆ What do you think is the most important the scorecard shall communicate to the employees?

Mål – Avsikt och användning – Objectives – Intention and Use

- ◆ Hur jämförs de icke-finansiella målen med de finansiella?
 - Är de likställda eller är något viktigare än det andra?
 - Hur görs den jämförande värderingen?
- ◆ How are the non-financial objectives compared with the financials?
 - Are they equivalent or is something more important than the other?
 - How is the comparative valuation done?

- ◆ Vad är målet med de olika prestationsmåten?
 - Finns de till för att mäta måluppfyllelse?
 - Eller för att motivera personalen att agera på ett sätt som de annars inte hade gjort?
- ◆ What is the aim of the various performance measurements?
 - Shall they measure the achievement of the objectives?
 - Or to motivate the employees to act in a way that they would not have done otherwise?

- ◆ Kan du uppfatta att de två övergripande målen någon gång konflikterar med varandra?
 - I så fall: Hur hanteras den målkonflikten?
- ◆ Can you experience that the two main objectives sometimes conflict with each other?
 - If so: How is the conflict handled?

- ◆ Vem bär ansvaret för att målen ska bli uppfyllda?
- ◆ Who is responsible for the objectives to be met?

Din roll på Systembolaget – Your Role at Systembolaget

- ◆ Beskriv dina arbetsuppgifter
- ◆ Describe your duties

- ◆ Hur använder du styrkortet i din arbetsituation?
- ◆ How do you use the scorecard in your working situation?

Styrkortet i allmänhet – The Scorecard in General

- ◆ Systembolaget har ett avkastningskrav från ägarna, hur mäts du utifrån detta avkastningskrav?
- ◆ Systembolaget has a return on shareholders' equity demand, how are your performance evaluated on the basis of this?

- ◆ Systembolaget har ett icke-finansiellt mål att: "*Bidra till att minska alkoholens skadeverkningar*". Hur påverkar detta mål utvärderingen av din prestation?
- ◆ Systembolaget has a non-financial objective, "*contribute to reduce the harm made by alcohol consumption.*" How are your performance evaluated on the basis of this?

- ◆ Hur styrs och mäts dina närmsta underordnades prestationer, utifrån de finansiella och icke-finansiella målen?
- ◆ How are your closest subordinates performances controlled and measured based on the financial and non-financial objectives?

- ◆ Anser du att styrkortet ger de effekter i organisationen som är avsikten att det ska göra?
 - Upplever du att någon styreffekt försvinner när uppdraget och målen bryts ner genom organisationen och i så fall, vad?
- ◆ Do you think the scorecard gives the intended effects in the organization?
 - Do you experience that any control effects disappear when the assignment and the objective are broken down through the organization, and if so, what?

- ◆ Vad tycker du är det viktigaste som du vill att styrkortet ska förmedla till de anställda?
- ◆ What do you think is the most important the scorecard shall communicate to the employees?

- ◆ Uppfattar du att de anställda känner att de arbetar utifrån företagets övergripande mål och uppdrag?
- ◆ Do you experience that the employees feel that they are working in accordance with the company's overall objectives and assignment?

Mål – Avsikt och användning – Objectives – Intention and Use

- ◆ Hur jämförs de icke-finansiella målen med de finansiella?
 - Är de likställda eller är något viktigare än det andra?
- ◆ How are the non-financial objectives compared with the financials?
 - Are they equivalent or is something more important than the other?
- ◆ Vad är målet med de olika prestationsmåten?
 - Finns de till för att mäta måluppfyllelse?
 - Eller för att motivera personalen att agera på ett sätt som de annars inte hade gjort?
- ◆ What is the aim of the various performance measurements?
 - Shall they measure the achievement of the objectives?
 - Or to motivate the employees to act in a way that they would not have done otherwise?
- ◆ Kan du uppfatta att de två övergripande målen någon gång konflikterar med varandra?
 - I så fall: Hur hanteras den målkonflikten?
- ◆ Can you experience that the two main objectives sometimes conflict with each other?
 - If so: How is the conflict handled?

Mattias Särholm – Regional Sales Manager

Din roll på Systembolaget – Your Role at Systembolaget

- ◆ Beskriv dina arbetsuppgifter
- ◆ Describe your duties

- ◆ Hur använder du styrkortet i din arbetsituation?
- ◆ How do you use the scorecard in your working situation?

Styrkortet i allmänhet – The Scorecard in General

- ◆ Systembolaget har ett avkastningskrav från ägarna, hur mäts du utifrån detta avkastningskrav?
- ◆ Systembolaget has a return on shareholders' equity demand, how are your performance evaluated on the basis of this?

- ◆ Systembolaget har ett icke-finansiellt mål att: "*Bidra till att minska alkoholens skadeverkningar*". Hur påverkar detta mål utvärderingen av din prestation?
- ◆ Systembolaget has a non-financial objective, "*contribute to reduce the harm made by alcohol consumption.*" How are your performance evaluated on the basis of this?

- ◆ Hur styrs och mäts dina närmsta underordnades prestationer, utifrån de finansiella och icke-finansiella målen?
- ◆ How are your closest subordinates performances controlled and measured based on the financial and non-financial objectives?

- ◆ Anser du att styrkortet ger de effekter i organisationen som är avsikten att det ska göra?
 - Upplever du att någon styreffekt försvinner när uppdraget och målen bryts ner genom organisationen och i så fall, vad?
- ◆ Do you think the scorecard gives the intended effects in the organization?
 - Do you experience that any control effects disappear when the assignment and the objective are broken down through the organization, and if so, what?

- ◆ Vad tycker du är det viktigaste som du vill att styrkortet ska förmedla till de anställda?
- ◆ What do you think is the most important the scorecard shall communicate to the employees?

Mål – Avsikt och användning – Objectives – Intention and Use

- ◆ Hur jämförs de icke-finansiella målen med de finansiella?
 - Är de likställda eller är något viktigare än det andra?

- ◆ How are the non-financial objectives compared with the financials?
 - Are they equivalent or is something more important than the other?

- ◆ Vad är målet med de olika prestationsmåten?
 - Finns de till för att mäta måluppfyllelse?
 - Eller för att motivera personalen att agera på ett sätt som de annars inte hade gjort?
- ◆ What is the aim of the various performance measurements?
 - Shall they measure the achievement of the objectives?
 - Or to motivate the employees to act in a way that they would not have done otherwise?

- ◆ Kan du uppfatta att de två övergripande målen någon gång konflikterar med varandra?
 - I så fall: Hur hanteras den målkonflikten?
- ◆ Can you experience that the two main objectives sometimes conflict with each other?
 - If so: How is the conflict handled?

Din roll på Systembolaget – Your Role at Systembolaget

- ◆ Beskriv dina arbetsuppgifter
- ◆ Describe your duties

- ◆ Hur använder du styrkortet i din arbetsituation?
- ◆ How do you use the scorecard in your working situation?

Styrkortet i allmänhet – The Scorecard in General

- ◆ Systembolaget har ett avkastningskrav från ägarna, hur mäts du utifrån detta avkastningskrav?
- ◆ Systembolaget has a return on shareholders' equity demand, how are your performance evaluated on the basis of this?

- ◆ Systembolaget har ett icke-finansiellt mål att: "*Bidra till att minska alkoholens skadeverkningar*". Hur påverkar detta mål utvärderingen av din prestation?
- ◆ Systembolaget has a non-financial objective, "*contribute to reduce the harm made by alcohol consumption.*" How are your performance evaluated on the basis of this?

- ◆ Hur styrs och mäts dina närmsta underordnades prestationer, utifrån de finansiella och icke-finansiella målen?
- ◆ How are your closest subordinates performances controlled and measured based on the financial and non-financial objectives?

- ◆ Anser du att styrkortet ger de effekter i organisationen som är avsikten att det ska göra?
 - Upplever du att någon styreffekt försvinner när uppdraget och målen bryts ner genom organisationen och i så fall, vad?
- ◆ Do you think the scorecard gives the intended effects in the organization?
 - Do you experience that any control effects disappear when the assignment and the objective are broken down through the organization, and if so, what?

- ◆ Vad tycker du är det viktigaste som du vill att styrkortet ska förmedla till de anställda?
- ◆ What do you think is the most important the scorecard shall communicate to the employees?

Mål – Avsikt och användning – Objectives – Intention and Use

- ◆ Hur jämförs de icke-finansiella målen med de finansiella?
 - Upplever du att målen är likställda eller är något viktigare än det andra?

- ◆ How are the non-financial objectives compared with the financials?
 - Are they equivalent or is something more important than the other?

- ◆ Vad upplever du är målet med de olika prestationsmått?
- ◆ What is the aim of the various performance measurements?

- ◆ Kan du uppfatta att de två övergripande målen någon gång konflikterar med varandra?
 - I så fall: Hur hanteras den målkonflikten?
- ◆ Can you experience that the two main objectives sometimes conflict with each other?
 - If so: How is the conflict handled?

Jeanette – Salesperson

Din roll på Systembolaget – Your Role at Systembolaget

- ◆ Beskriv dina arbetsuppgifter
- ◆ Describe your duties

- ◆ Använder du styrkortet i din arbetssituation?
 - Om ja: Hur?
- ◆ Are you using the scorecard in your work situation?
 - If yes: How?

Styrkortet i allmänhet – The Scorecard in General

- ◆ Vad upplever du att det förväntas att du ska prestera under en dag/vecka/månad/år?
- ◆ What do you experience is expected you should accomplish in a day/week/month/year?

- ◆ Systembolaget har ett icke-finansiellt mål att: *"Bidra till att minska alkoholens skadeverkningar"*. Upplever du att du arbetar utifrån detta uppdrag i ditt dagliga arbete och i så fall hur?
- ◆ Systembolaget has a non-financial objective: *"contribute to reduce the harm made by alcohol consumption."* Do you feel that you are working from this assignment in your daily work, and if so, how?

- ◆ Vad tror du är det viktigaste som styrkortet ska förmedla till dig som anställd?
- ◆ What do you think is the most important the scorecard shall communicate to you as an employee?

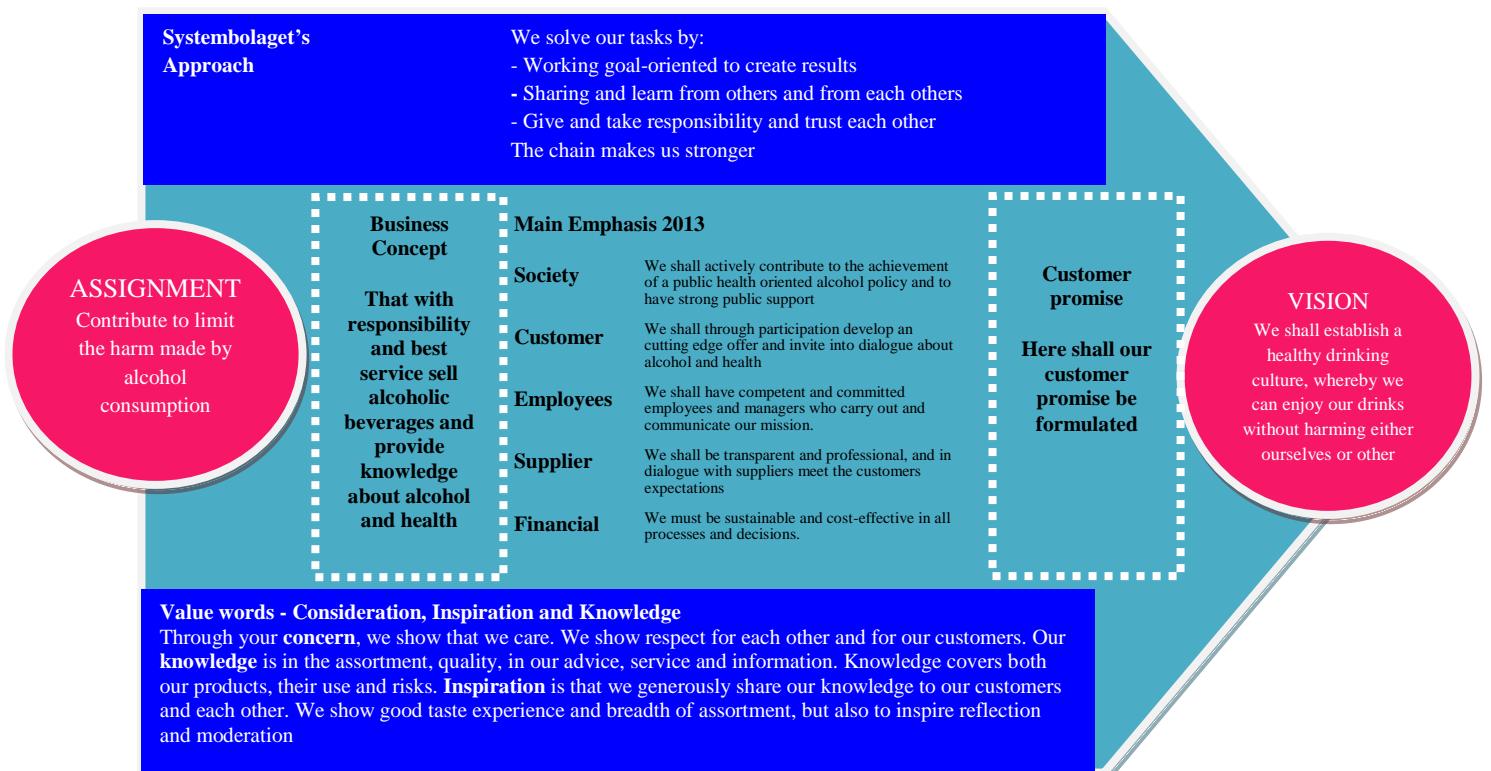
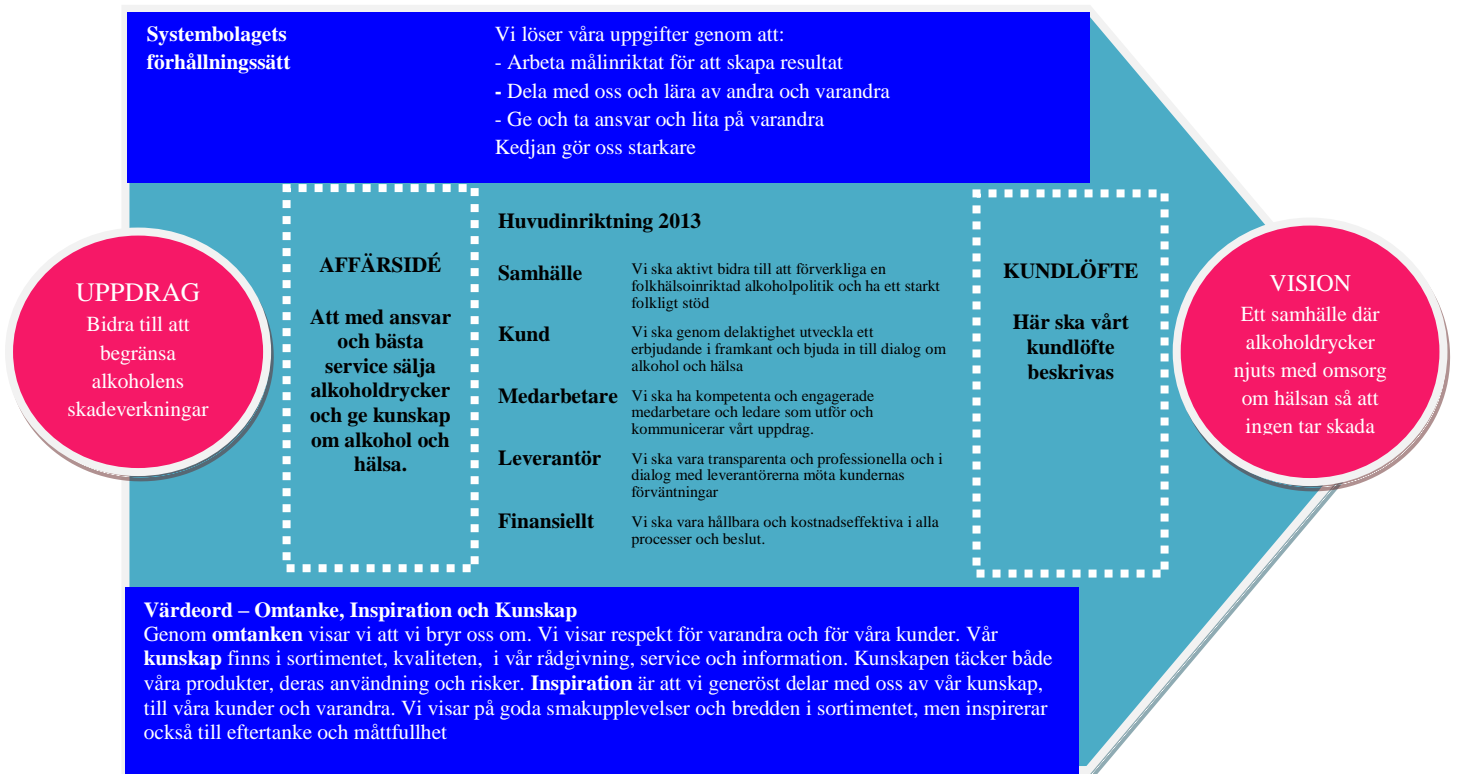
Mål – Avsikt och användning – Objectives – Intention and Use

- ◆ Hur jämförs de icke-finansiella målen med de finansiella?
 - Upplever du att målen är likställda eller är något viktigare än det andra?
- ◆ How are the non-financial objectives compared with the financials?
 - Are they equivalent or is something more important than the other?

- ◆ Kan du uppfatta att de två övergripande målen någon gång konflikterar med varandra?
 - I så fall: Hur hanteras den målkonflikten?
- ◆ Can you experience that the two main objectives sometimes conflict with each other?
 - If so: How is the conflict handled?

8.2 Appendix 2 – The Strategic Plan of Systembolaget

This is the strategic plan of Systembolaget in the original Swedish version and a translated English version.



8.3 Appendix 3 – Vocabulary for the Balanced Scorecard of Systembolaget

Opinion Index – Is measured every month and measures the percentage of the Swedish population who wish to retain Systembolaget and the monopoly on retail sales of strong beer, wines and spirits.

Age Verification – Measures the number of occasions when proof of age has been requested of customers under the age of 25 as a percentage of the number of control purchases made by people aged between 20 and 25.

CSI – Customer Satisfaction Index measures how satisfied customers are with Systembolaget. Measured and reported four times a year.

Customer Meeting – Measures the service level that a customer meets in a Systembolaget-store. This is measured thorough mystery shopping, persons who pretend to be customers and evaluate the service they get from the employees in the stores. The employees have no knowledge of who a real customer and who is a mystery shopper. This is measured once a month.

ESI – Employee Satisfaction Index measures how satisfied employees are with Systembolaget as an employer. Measured and reported once a year.

Sick Leave – Is measured in relation to planned time.

Trading Margin – Gross profit as a percentage of income excluding alcohol tax.

ROE – Return on Shareholders' Equity. The net profit for the year as a percentage of adjusted shareholders' equity.

Work Productivity – The number of work units processed (packs after weighting per product group) per day's work (8 hours).

Cost Productivity – The impressionable costs divided by the number of work units processed.

Product Wastage – Wastage of goods, as established during stocktaking, per thousand of income.

Source: Annual Report 2007 Systembolaget, Interviews with the respondents