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ABSTRACT

The outbreak of Covid-19 in Indonesia led to the imposition of social restrictions from April 2020. Restaurants were disrupted due to the closure of malls and dine-in restrictions. XYZ Coffee Shop, which has a presence in many malls, recorded a significant decline in sales and consequently, substantial losses. This thesis examines how XYZ Coffee Shop responded to the situation by implementing emergent strategies and adjusting performance measurement. Further, the study analyses how the company's management used the four levers of control to support the implementation of emergent strategies. The study employed the qualitative method via a case study. The data were collected through interviews with directors and questionnaires distributed to the company's operations and district managers. The results of the study demonstrate the company's successful responses to the pandemic situation through the development and implementation of new strategies via the effective application of the four levers of control. The study also revealed that the top management has been effectively practicing the core values of the belief systems. During pandemic, they measured monthly sales to implement diagnostic control systems. The intensive use of interactive control systems was also demonstrated when progress towards achievement was discussed in weekly meeting involving top management.

Keywords: Coffee Shop Business, COVID-19 Pandemic, Emergent Strategies, Levers of Control, Management Control Systems.

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1. INTRODUCTION

The global Covid-19 pandemic led to the imposition of varying degrees of social restrictions or distancing in Indonesia from April 2020 onwards. Starting from the issuance of government regulation No. 21 Year 2020 regarding large-scale social restrictions, for more than two years only essential business activities and movement of people were permitted. For entities engaged in the restaurant business such as XYZ Coffee Shop, the pandemic and consequent regulations restricted the ability to provide dine-in services to their customers, which is the company's main business. As a result, the company recorded a 34% fall in sales in 2020 compared to 2019, while its loss before income tax in 2020 amounted to 57% of its 2019 earnings before income tax. The company's top management realized the strategic uncertainties associated with this unprecedented situation. In response, they took immediate actions to adjust the business strategy by developing and implementing emergent strategies to mitigate the negative impacts caused by the social restrictions. They had to ensure the management control system was sufficiently reliable to support the effective implementation of these emergent strategies. They determined that control of the business strategies would be achieved through the integration of the four levers of belief systems, boundary systems, diagnostic control systems and interactive control systems, which should be used together. The interplay of the positive and negative forces of these systems creates a dynamic tension between the opportunistic innovation and predictable goal achievement that is necessary to stimulate and control profitable growth (Simons, 2000).

This study focused on XYZ Indonesia, which owns and operates XYZ Coffee Shop in Indonesia, and had the following two objectives. First, to obtain empirical evidence of the adjustments made in the company's business strategy and performance measurements, which were both developed and evolved during the pandemic. Second, to obtain empirical evidence of the application of management control systems under the framework of the four levers of control to support the company's financial recovery in the wake of the pandemic situation. In terms of the benefits of the study, the company's management is expected to better understand the framework of the four levers of control that were applied to achieve the company's objectives, especially in responding to the strategic uncertainties. It is also expected to benefit other entities by demonstrating how each component of the four levers of control within their management control systems can support them in the execution of their own emergent strategies to survive during a time of strategic uncertainty. Finally, the study is expected to contribute to future studies that research and discuss the application of the four levers of control to support companies facing strategic uncertainties.

The remainder of the study is structured as follows. Section 2 presents the literature review, which discusses and analyses management control systems under the framework of the four levers of control; Section 3 outlines the research methodology; Section 4 presents the organization profile which also discusses the company's management control systems; Section 5 contains the empirical evidence gathered from the interviews with the company directors and officers, along with the questionnaires distributed to the operations and district managers; and the final section presents the conclusions and recommendations.

2. LITERATURE REVIEW

2.1. MANAGEMENT CONTROL SYSTEMS AND IMPLEMENTATION OF BUSINESS STRATEGY

Management control systems are designed to influence and direct the members of an organization to become effective and efficient resources in the context of implementing the strategy to achieve the organization's objectives (Anthony & Govindarajan, 2007; Bedford & Malmi, 2015; Davila & Foster, 2007; Merchand & Van der Stede, 2003; Simons, 1995, 2000). Simons (1995, 2000) classified management control systems into four distinct levers of control: belief systems, boundary systems, diagnostic control systems and interactive control systems. The strength of these control systems lies in the ability to engage with the positive power of belief systems and interactive control systems while also contending with the opposing power of boundary systems and diagnostic control systems, thereby ensuring effective control at the same time as constantly stimulating opportunistic innovation to achieve profitability growth (Baird, Su, & Munir, 2019; Ferreira & Otley, 2009; Simons, 1995; Tessier & Otley, 2012).

Various authors have made important contributions in the field of business strategy, covering areas such as cost leadership strategy, defender strategy, prospector strategy and differentiation strategy (Miles, Snow, Meyer, & Coleman, 1978; Porter, 1980). However, this study focuses on business strategies classified as intended strategies, emergent strategies and realized strategies (Simons, 2000). In contrast to intended strategies, emergent strategies are defined as unplanned business strategies that are spontaneously generated when an organization responds to unprecedented threats and opportunities through experiments and trials. Intended and emergent strategies are then combined to generate realized strategies. According to Simons (2000), the four levers of control are used to create control systems that facilitate the implementation of business strategy.

2.2. FOUR LEVERS OF CONTROL

Belief systems comprise the company's vision, mission and core values, which provide clear guidance on the expected behavior patterns. They inspire and motivate employees to contribute, regardless of whether the company operates under intended or emergent strategies, to achieve high company performance (Hermawan, Bachtiar, Wicaksono, & Sari, 2021; Simons, 2000; Widener, 2007). Any control systems that provide information regarding an organization's values or priorities can be leveraged as belief systems (Mundy, 2010).

Boundary systems set limitations on employee behavior and feature creative experiments within an acceptable level, thereby ensuring that the company does not become burdened with excessive costs and employees' performance continues to satisfy all parties (Mundy, 2010; Simons, 2000). Two kinds of boundaries exist: strategic boundaries, which impose barriers to strategic opportunity search, and business conduct boundaries, which define the acceptable and unacceptable behaviors and conducts (Tessier & Otley, 2012).

Diagnostic control systems are used to measure and compare achievement against pre-set goals and provide feedback and rewards with respect to the results or achievement of such goals (Mundy, 2010; Simons, 2000). They represent traditional control mechanisms, which provide motivation and direction to achieve goals by focusing on and correcting deviations from pre-set standards of performance (Henri, 2006). Therefore, diagnostic control systems are the crucial management tools required to transform intended strategy into realized strategy. Nevertheless, there is a view that diagnostic control systems are more suited to measuring performance in situations where direct monitoring is not possible, such as a pandemic (Christian & Carro, 2021).

Interactive control systems aim to improve learning and the development of new ideas and strategies through strategic dialogue involving the operational level (Bisbe & Otley, 2004; Marginson, McAulay, Roush, & van Zijl, 2010; Pavlov & Bourne, 2011). When used as interactive control systems, management control and performance measurement systems can support the development and renewal of business strategies (Bisbe & Otley, 2004; Simons, 1995). When a company experiences strategic uncertainties, interactive control systems can facilitate the implementation of emergent strategies through learning and the seeking of new opportunities (Kapu Arachchilage & Smith, 2013; Mundy, 2010; Sakka, Barki, & Côté, 2013; Simons, 2000). Along with belief systems, interactive control systems motivate members of an organization to creatively explore and develop opportunities and encourage the sharing of information and learning.

Various studies have examined how the four levers of control interact with each other. Some of these identified the interdependence and complementarity of many of the controls within the levers of control framework. Belief systems are considered to provide the foundation for a firm's identity and value system and thus positively influence all other systems and affect the organizational outcomes (Widener, 2007). It is also held that provided effective belief systems are implemented, the management will perform effectively regardless of the combination adopted of strategic risk, strategic uncertainties and other levers of control (Hermawan et al., 2021). Another study suggested that interactive processes play a crucial role in creating and maintaining a balance between the remaining levers. They enable the potential of the remaining levers to be realized and are thus vital in determining the nature of the interrelations between all four (Mundy, 2010).

Several studies have focused on the relationship between diagnostic control systems and interactive control systems but suggested different kinds of relationships. Meanwhile, performance measurement systems must be used both diagnostically and interactively to maximize their benefits (Henri, 2006; Widener, 2007). Indeed, it is the structured, formal process of the diagnostic systems that triggers the benefits of interactive systems (Widener, 2007). Project managers should rely more on formal meetings and discussions that explicitly communicate to the rest of the team the importance of new proposals and change management in cases where the project is risky and uncertain. The diagnostic use of control systems was not found to be significantly associated with performance in cases of high project novelty and complexity (Sakka et al., 2013).

However, since an organization needs to create dynamic tensions, it must find a balance between controlling and enabling the use of management control systems. However, an organization may find it difficult to strike the right balance between these purposes for the following reasons: an inability to properly define the optimal balance; management faces a variety of complex decisions; the elements of trust, autonomy, power, relations and professionalism are difficult to replicate; and a tendency to use control systems coercively (Mundy, 2010).

3. RESEARCH METHODOLOGY

This study was conducted on the case of XYZ Indonesia, which operates as a coffee shop business and suffered huge losses due to a significant decline in sales during the COVID-19 pandemic. The case study was conducted using qualitative techniques. The primary data were obtained through interviews and

the distribution of questionnaires. The interviews were conducted with members of the company's top management who are responsible for marketing, operations, and finance and accounting. The material obtained from the interviews can be classified into three main topics. Firstly, discussion concerning the use of the business strategies as intended strategies applied in a normal situation. Secondly, the development of new business strategies and adjustments in performance measurement, both of which are considered emergent strategies required to respond to the pandemic situation. Finally, the application of the four levers of control during the normal situation and how they were used to successfully support the implementation of emergent strategies.

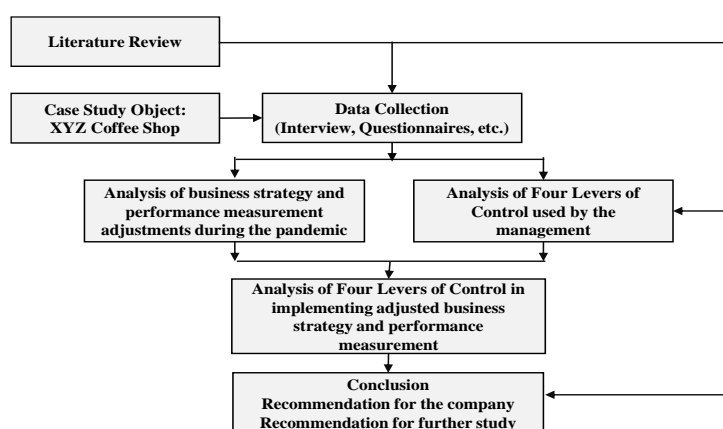


Figure 1. Research Framework

All of the interviews were conducted using open-ended and unstructured questions. Matters relating to each function were also discussed. The discussion with the director of marketing focused on the emergent strategies carried out by that department, such as the development and launch of new products to support take-away sales, revamping online sales, among others, through the renewal of a cooperation agreement with 'super-apps', and the development of promotional programs. The director of operations explained the detailed structure of the operational organization under his command, which comprises operations managers, district managers and store managers. Further, he discussed the company's application of the growth strategy with the diagnostic use of sales targets as the principal performance measures. He also explained the process used to determine and deploy sales targets to each operations manager, then to each district and finally store manager. He revealed that during the pandemic the monthly sales and financial performance forecasts for each operational unit were tightly monitored in light of the strategic uncertainty. The finance and accounting officer discussed the impact of the pandemic on the quarterly

financial state of the company, which mainly reflected the significant decline in sales and how monthly sales and financial performance forecasts were co-developed with the operational management. Both the director of operations and the finance and accounting officer disclosed the significant involvement of the top management in planning the emergent strategies and in executing and monitoring the implementation of those strategies through intensive interactions with the managers in operations.

The framework and concept of the questionnaires regarding the four levers of control were developed by referring to various earlier articles (Hermawan et al., 2021; Widener, 2007) and a thesis by Djauhari (2020). The concept was reviewed by, among others, the company's finance and accounting officer and director of operations. The final draft was reviewed by the top management prior to distribution to the respondents. The respondents consisted of all seven operations managers and all 49 district managers of the company. The operations managers are direct subordinates of the director of operations and each is responsible for between five and nine districts. Meanwhile, each district manager has five to seven store managers working under their supervision.

The questionnaires containing 22 statements related to the four levers of control applied by the company were distributed to all respondents via Google Forms in May 2022. The responses to the statements in the questionnaires were given based on a five-point Likert scale as shown below:

Point	Response
5	Strongly Agree
4	Agree
3	Neutral
2	Disagree
1	Strongly Disagree

The second part of the questionnaire contained two open questions for the respondents to provide their views on the performance measurement system during the pandemic and the effectiveness of the four levers of control used by the management to support the company's implementation of emergent strategies. A total of 46 respondents submitted their questionnaires by the closing date, which was set a week after the questionnaires were distributed.

In addition to the primary data collected, secondary data resources were used. This study obtained and reviewed the company's organizational structure, quarterly financial information during 2020 and 2021, both forecasted and realized, the corporation rules, which are used as a code of conduct for all employees, plus certain information from the company website. The study also requested direct observation at various shops owned by the company.

4. ORGANIZATION PROFILE

4.1. GENERAL

XYZ Indonesia, which engages in fast food retailer, owns and operates coffee shops under the brand name of XYZ Coffee Shop. XYZ Indonesia has a vision, mission and core values that are strongly applied by the top management. The vision is to 'Establish XYZ as the most recognized and respected brand in the world'. The mission is 'To inspire and nurture the human spirit'. The core values consist of 1) creating a culture of warmth and belonging, where everyone is welcome; 2) acting with courage, challenging the status quo and finding new ways to grow our company and each other; 3) being present, connecting with transparency, dignity and respect; and 4) delivering our very best in all we do, holding ourselves accountable for results.

The company's coffee shops are mainly located in malls and office buildings. Social restrictions and distancing rules during the Covid-19 pandemic meant that these malls and office buildings were frequently closed or operating with mandatory restrictions in place. The company saw a fall in sales of approximately 50% during the second quarter of 2020 compared to the previous quarter. Overall, it recorded a 34% fall in sales in 2020 compared to 2019. As a result, the company suffered a huge net loss in 2020, much of which was incurred during the second quarter of the year as the company was not prepared for the impact of the pandemic. The company recorded increased sales in 2021 to break even due to the successful development and execution of emergent strategies, while the government's social restriction policy was also more relaxed.

4.2. MANAGEMENT CONTROL SYSTEMS

As discussed above, the company has belief systems in the form of a well-defined vision, mission and core values, which are well known and adopted by all employees. Through its mission and core values, the management inspires and motivates its people, which has been proven to positively impact the company's business performance (Hermawan et al., 2021; Widener, 2007).

The company also has boundary systems in the form of a code of conduct and standard operating procedures (SOPs). The code of conduct is reflected in the corporation rules that explicitly describe the behaviour or actions that are required or prohibited for both the management and employees of the company. Penalties or sanctions are imposed for any violations or undesired behaviors in contravention of these internal rules. Through the boundary systems, the company has been able to restrict behaviors, identify minimum levels of

performance, and communicate risks that must be avoided or minimized so that employees operate within defined constraints (Simons, 2000). In addition, the company has strategic boundaries in the form of an annual operating plan that is developed to control the company's operations and includes, for example, all aspects of new shop openings in terms of location selection, shop design and operation; product development boundaries; and promotional and marketing cooperation boundaries. In line with Tessier & Otley (2012), the boundary systems include activities that impose the code of business conduct for employees and also serve as strategic boundaries delineating managers' search for innovative ideas.

The company has implemented a growth strategy. The total sales target, which is the main performance measure, is proposed annually by the top management. Upon initial agreement by top management, including among others the director of operations, this target is allocated among the operations managers. Each operations manager then allocates sales targets to the district managers working under them, who then in turn discuss and allocate these assigned targets among the shop managers working under their district. This allocation process down to the shop-manager level based on a top-down approach is not usually completed satisfactorily. Any uncommitted sales target will be pushed back from the bottom up to the top management, and its reallocation may be negotiated. Numerous meetings are required to take place at each operational level, which top management may need to attend. The outcome of the negotiations may result in the decision to open new shops that will be able to meet the uncommitted target.

In addition to a sales target, each operational unit at every level is allocated further targets such as the achievement of certain detailed sales or level of materials wastage. Progress towards the sales targets and other measures is tracked and reviewed monthly, from which exceptional results are determined and investigated. This sales target allocation and subsequent achievement monitoring system comprise the main elements of the diagnostic control systems used by the company, which aim not only to promote the attainment of goals by tracking progress towards them but also to provide motivation and direction to achieve the goals by focusing on and correcting deviations from pre-set standards of performance (Henri, 2006; Simons, 2000).

Interactive control systems are involved and demonstrated at several stages. Interactive discussions are held during the sales target assignment process as well as at the monthly progress reviews. They are also held when assigned sales targets are negotiated among managers at the same level as well as between those managers and their superiors or direct reports. A district manager, for instance, is involved in a series of meetings with their store managers or other

district managers working under the same operations manager, or with their operations manager.

Once the annual sales target has been concluded and approved, monthly sales targets are generated and used interactively at all levels of operations. A district manager will hold one-on-one weekly meetings with their store managers to discuss the progress made towards the target. This mainly covers sales achievement, especially in cases where sales are significantly behind the sales plan. The company thus uses its performance measurement systems interactively to trigger face-to-face discussions and dialogues about performance, to continuously examine and challenge the assumptions underpinning its current strategy and to allow for a new strategy to emerge (Bisbe & Otley, 2004; Pavlov & Bourne, 2011).

5. RESULTS AND DISCUSSION

5.1. ANALYSIS OF EMERGENT STRATEGIES AND ADJUSTED PERFORMANCE MEASUREMENT DURING THE PANDEMIC

In the early days of the pandemic, the president-director of the company made the quick decision to establish think-tank groups, with each comprising personnel representing different departments, ages and working experiences. Each group was assigned tasks to observe and recommend areas of improvement to promote efficiencies as well as compliance with the pandemic rules and protocols. The director of operations stated that many improvements had emerged from this initiative, including ideas for the development of new products to appeal to take-away customers, the most effective layouts to adopt when operating at a dine-in capacity of 25% or 50%, a study of barista activities, and the elimination of any activities that did not add value or contribute to customer satisfaction.

The marketing department refocused on activities to improve online sales. While these can be conducted through an internally developed application, the company also renewed its cooperation agreements with popular ride-hailing and super applications such as GoFood, GrabFood and Tokopedia. Online sales made a significant contribution during the peak of the pandemic and remain good today.

As sales fell significantly at the height of the pandemic, the pre-set annual sales target was deemed irrelevant and unrealistic to achieve. Monthly sales forecasts were thus redeveloped and during the pandemic were used as the main diagnostic control tools to direct and monitor the activities at all operational units. At the peak of the pandemic, the management organized two rounds of meetings within a week, which consumed more top management time. These

began at the start of a week when the top management decided on a new business strategy to be implemented immediately. The operations director then quickly communicated and cascaded this information to all operations, district and store managers. One or two days after the plan had been implemented in the field, if the management concluded that a better strategic decision could be made due to either a failure to implement the new strategy at the store or district level, or a change in the operating restrictions imposed by the government, the top management would call for another meeting to discuss the necessary adjustments to the business strategy. The main purpose of these two rounds of meetings was to bolster weekend sales, which are typically much higher than those on working days, to improve the company's overall sales performance.

During the pandemic, the chief executive officer (CEO) regularly issued empathetic messages sent via email to all managers and employees. The CEO also encouraged the senior management to continue inspiring and motivating employees through the organization of coordinated virtual events involving as many employees as possible. Several coordinated virtual events were held during the pandemic, including online yoga, an online healing session and multiple online webinars. These actions demonstrated the strong use of belief systems by the top management to maintain morale among the company's managers and employees to continue serving the company and provide customers with the best possible service. The message was communicated that the pandemic would end, social restrictions would be eased and good times would return.

In terms of improving efficiency, a bottom-line achievement in the form of earnings before interest and tax was set as an important measure to be discussed in monthly meetings with the top management. Monthly profit and loss forecasts were now to include proposals for cost reductions at each operational level. The decision was also made to either reduce the number of personnel at each store or temporarily close units located near rival stores, notably those that had been severely affected by the restrictions imposed. Aside from these initiatives at the operational-unit level, the company's management renegotiated with its suppliers, mainly for rental expenses with building/property owners. However, as the management was confident about the prospects for a brighter post-pandemic future, the company continued seeking opportunities to establish new shops, particularly in secondary or tertiary cities and markets in Indonesia. However, the preference was to identify stand-alone locations in cities where the company had relatively few stores. This was based on the logic that stand-alone stores were less severely impacted by the social restrictions linked to the pandemic compared to units in malls or office buildings.

5.2. THE RESULTS OF QUESTIONNAIRES TESTING

The results from the questionnaires issued to the company’s operations managers and district managers demonstrated that they truly understood its vision, mission and core values. Based on the results shown in Table 1, they also agreed that the mission and core values inspired and motivated them to work hard, including during the pandemic. This result also demonstrates the consistent and effective efforts undertaken by the top management to deliver empathetic messages and strengthen the company’s core values to create a culture of warmth and belonging. It is thus possible to conclude that the top management has used the belief systems effectively to motivate employees to maximise their efforts to support the company, including during the strategic uncertainty of the pandemic situation. The implementation of effective belief systems leads to higher managerial performance (Hermawan et al., 2021; Widener, 2007). After the emergent strategies had been implemented over a year, and with the help of more relaxed social restrictions in certain periods during 2021, managerial performance improved significantly and the company recovered from the worst of the downturn, which occurred in 2020.

Table 1. Questionnaire Results of Belief Systems

No	Belief Systems	Mean	Median	Min	Max
Q1	I understand the company’s vision and mission	4,8478	5	4	5
Q2	Top management has explained the company’s core or corporate values (XYZ’s core values, such as creating a culture of warmth and belonging, etc.) to all employees	4,8043	5	3	5
Q3	As a partner, I understand the company’s core (corporate) values	4,9130	5	4	5
Q4	Mission and core values of the company has inspired and motivated partners in working, including during the pandemic	4,8478	5	4	5

Source: Questionnaires Results (2022)

Based on the results shown in Table 2, the operations and district managers understood the code of conduct and SOPs of the company and also the established boundaries concerning their behaviors and actions. They were fully aware of the risks to avoid and that penalties/sanctions would be imposed if they overstepped those boundaries. The boundary systems implemented by the company have thus successfully communicated behaviors considered undesirable and ensured minimum levels of performance as well as provided limitations to the search for new opportunities so as not to create an excessive burden on the company’s resources (Mundy, 2010; Simons, 2000). Similar

boundary systems also supported the company in the implementation of its emergent strategies during the pandemic.

Table 2. Questionnaire Results of Boundary Systems

No	Boundary Systems	Mean	Median	Min	Max
Q1	The company has written Standard Operating Procedures (SOPs) and corporation agreement which are accessible by the partners	4,8696	5	3	5
Q2	The SOPs/corporation agreement provide limitation on conducts I can carry out	4,6522	5	2	5
Q3	Partners fully understand the SOPs/corporation agreement	4,4130	5	2	5
Q4	Partners are well informed on the risks to be avoided	4,6957	5	2	5
Q5	Penalties applied to partner who violated against the SOPs/corporation agreement	4,8043	5	4	5

Source: Questionnaires Results (2022)

The emergent strategies focused on the monthly sales forecasts, which were adjusted from those derived from the pre-set annual sales plan. The operations managers and district managers understood that such changes in business strategy were necessary as a result of the social restrictions imposed. At the same time, they understood that performance targets remained in place as goals to achieve and to demonstrate their continuing relevance to the company. They also understood that progress was tracked periodically and that their performance was measured against this progress. The managers agreed that they obtain and understand information on performance and use this information in discussions with superiors, subordinates and peers. They also recognised that the diagnostic use of sales targets was effective in providing them with direction, especially during the period of strategic uncertainty. Diagnostic control systems motivate employees, assist in monitoring their performance and provide feedback or rewards in accordance with their contributions to achieving the company's goals (Simon, 2000).

Table 3. Questionnaire Results of Diagnostic Control Systems

No	Diagnostic Control Systems	Mean	Median	Min	Max
Q1	I know adjustments in business strategy during the pandemic	4,8043	5	3	5
Q2	I understand the performance target to be achieved	4,7826	5	3	5
Q3	Management is monitoring the results	4,7826	5	3	5
Q4	Management is evaluating actual results and comparing to the expectations	4,6957	5	3	5

No	Diagnostic Control Systems	Mean	Median	Min	Max
Q5	Management is reviewing key performance measures on regular basis	4,6522	5	3	5
Q6	Management encourages dialogues with superiors, subordinates and peers to discuss performance measures	4,6739	5	3	5
Q7	Management enables the organization to focus on critical success factors	4,5000	5	3	5
Q8	I can gather and understand information about my performance results	4,7174	5	3	5
Q9	I depend on experienced/special staff to prepare and interpret my performance results	3,9348	4	1	5

Source: Questionnaires Results (2022)

Finally, the managers believed they are actively involved in the performance measurement system. They hold discussions with their superiors concerning any problems that occur in the company; they are also consulted in terms of new ideas and are involved in searching for innovation. From Table 4, we can see that the managers believe their superiors respect their input or ideas and consider implementing them. When the social restrictions imposed led to declining sales, more intensive meetings were held involving top management and across multiple operational levels. Significant interactive use was made of sales achievement targets in meetings across internal operational levels. In addition, the bottom line, or profit and loss, has become increasingly important in measuring operational efficiency at each operational unit and this metric has therefore been part of the interactive discussion. The use of interactive control both intensively and extensively has been crucial in terms of focusing the company on strategic uncertainty. Information on achievements from the system was used to challenge the managers and subordinates over their action plans and force them to attempt to make sense of rapidly changing conditions (Simons, 2000).

Table 4. Questionnaire Results of Interactive Control Systems

No	Interactive Control Systems	Mean	Media		
			n	Min	Max
P1	Partners are actively involved in performance measurement system process	4,4783	5	3	5
P2	Management is directly communicating and discussing partners for issues or problems in company's operations	4,4565	5	3	5
P3	Management is involving partners to seek for innovation or new idea to improve the company's performance	4,4783	5	3	5
P4	Management acknowledges and implements opinions or inputs from partners in operational decision making	4,4565	5	3	5

Source: Questionnaire Results (2022)

Overall, the Likert-scale-based questions suggested positive results regarding the use of the four levers of control in the company during the implementation of its emergent strategies. In the second part of the questionnaires, most of the operations and district managers concluded that they understood and agreed that changes in performance management systems were necessary to support the company's emergent strategies. The following comprises a selection of the positive responses to this question: *"The company has responded fast to adapt the situation of pandemic"; "Management has given clear target in accordance with the situation or level of social restrictions"; "Clear and well organised"; "Acceptable due to pandemic situation especially the company has provided clear explanation of goals to be achieved."*

Nevertheless, some of the managers used this open question to raise concerns and left comments such as *"Sometimes it is too much enforced"; "To measure performance in uncertainty and unpredictable situation, must be more flexible"*, and *"Bonus for performance appraisal should be reinstated."* One manager also questioned the measures taken during the pandemic and provided a suggestion: *"We need to be more familiar with the performance contract, prepare workpapers or list of things to do based on priorities. There must be more communication with the superior, peers and in monitoring the results."* Some of the managers revealed that key performance indicators were very clear. However, better explanation was still needed of the basis used to determine targets to ensure they were fair to the employees. In addition to their acceptance of the current changes in performance measurement systems, several managers revealed their expectations. They thought that the company should reinstate performance measurement and incentive systems when the pandemic was over.

On the second open question, almost all of the operations and district managers responded in line with the results of the questionnaire statements – that is, that management control systems are effective to support the company's emergent strategies. One respondent made this clear by stipulating *"I think pandemic is changing a lot of things, especially the ways we communicated each other and we used more communication channel during pandemic. How the company switched the strategies and put the mindset why they changed, is communicated very well and happened every day that make all the partners get the message quickly. They also review it every day so we managed well to achieve our goal."* This explanation makes clear the extensive use of interactive control systems to manage the strategic uncertainty.

5.3. ANALYSIS OF IMPLEMENTATION OF FOUR LEVERS OF CONTROL IN IMPLEMENTING STRATEGIES AND PERFORMANCE MEASUREMENT

As discussed, it was clear that the managers are familiar with the use of performance measurement based on the achievement of sales targets and that they are motivated to achieve the best in order to obtain the optimum incentive rewards. They are also becoming accustomed to working within the code of conduct regulated through strict corporation rules and SOPs. It was not a major issue for most of the managers when the impacts of social restrictions led to the cancellation of incentive rewards. The questionnaire results showed that almost all of the respondents understood the context and circumstances and worked in good cooperation to get through that difficult time. They believed the management took quick and correct actions in response to the pandemic situation and made every effort to show empathy by sending regular messages, thus demonstrating the existence of strong belief systems within the company. Further, performance measurements in the form of monthly sales and profit and loss forecasts were increasingly being used interactively. The operations director was extensively involved in strategic dialogues with the operations and district managers using these monthly sales and profitability forecasts.

6. CONCLUSION AND RECOMMENDATION

This study This study found that the company has been using the four levers of control at the right dynamic tension and can balance the positive power of belief systems and interactive control systems with the opposing power of boundary systems and diagnostic control systems, thereby ensuring effective control at the same time as stimulating constantly opportunistic innovation to manage strategic uncertainties during the pandemic and social restrictions.

To continue inspiring and motivating managers and employees, the top management has been practicing high-impact belief systems through initiatives such as key messages and coordinated group virtual activities. The activities justified the strength of the belief systems to influence all other systems and affected organizational outcomes (Widener, 2007). In the execution of emergent strategies, the use of sales targets was modified to focus on monthly sales and profit and loss forecasts, which have increasingly been used interactively. Weekly meetings were held involving top management to obtain input from the operations and district managers and enable better action plans to be developed and deployed at the operational units. The management thus believes that interactive processes play a crucial role in maintaining balance with the other

levers (Mundy, 2010). While the management has traditionally used sales achievement and profit planning diagnostically, during the strategic uncertainty of the pandemic, these measures were increasingly used interactively (Sakka et al., 2013).

The relatively few negative comments from the managers related mainly to the cancellation of incentive rewards with no replacement plan. This was primarily due to a lack of anticipation by the management of a longer pandemic situation that would lead to huge losses in its early stages. While more time was taken to develop and implement emergent strategies, the company suffered a significant net loss and cancelled the incentive rewards before having had time to consider any modified incentive plan. The top management is thus advised to think of ideas for different kinds of incentives as a substitute for the former sales incentives. These may be less than the amounts provided in recognition of sales achievement; however, they may be used to continuously inspire and motivate managers and employees to live the company's core values.

The company is also recommended to continue some of its emergent strategies, which have proven successful in turning the business around. At the end of the pandemic, these may then be considered part of the intended strategies. During the pandemic, the company demonstrated the strength of its leadership in applying the four levers of control, especially in creating circumstances aligned with the company's mission and core values, and also positively influencing the use of intensive interactive control systems. As strategic uncertainty may subsequently arise for other reasons, the company must retain these leadership characteristics and styles.

Like all research efforts, this study has several limitations due to the qualitative approach used. These are linked mainly to bias in interpreting the content of the questionnaire results; there was also no opportunity to conduct a focus group discussion to confirm the questionnaire result. In addition, the respondents in this study did not include store managers who have direct contact with customers as the implementers of the company strategy in the field.

The study has also not evaluated the impact of the leadership style and characteristics on the effective application of the four levers of control. Finally, the study was conducted on an entity and it is conceivable that other specific characteristics of that entity influenced the study results.

This study recommends further related studies in two areas. First, future studies may seek to analyze how the leadership style and characteristics impact the success of an organization to develop and implement emergent strategies to successfully manage strategic uncertainty. Second, future studies may wish to include store managers as the executors of business strategies in the field and who have direct contact with the customers every day, in order to analyze the application of the levers of control at their level.

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