



# Contemporary Accounting Case Studies

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Vol. 2, No. 2, September 2023

Article 26

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# ANALYSIS OF MANAGEMENT CONTROL SYSTEM BASED ON FOUR LEVERS OF CONTROL (CASE STUDY ON PT. XYZ)

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## ABSTRACT

This research aims to analyze the implementation of a Management Control System (MCS) using the four levers of control concept in companies engaged in oil and gas contractors. This study uses a case study strategy and qualitative methods. Data collection techniques were carried out by means of documentation studies and interviews. This research contributes to evaluating the implementation of MCS in this company. The results of this study indicate that the belief system in the form of vision, mission, and values is in line with the company's strategy and goals, although descriptively the statement is considered general. The company also has not communicated it on a scheduled basis in a meeting. A Boundary system derived from employee ethics has limited employee behavior at work. However, boundary systems that come from Pertamina's guidelines still encounter obstacles related to the project reporting progress process and client determination. In the discussion of the diagnostic control system, the employees know the targets set on the company's performance indicators. However, the company has not been maximal in monitoring and evaluating because it does not yet have a preventive system to monitor actual performance achievements. Strategic uncertainties stem from changes in Pertamina's guidelines and force majeure factors. The application of the interactive control system has been implemented with the opening of top management to new ideas and ideas from employees. The start of the debate and dialogue process is still dependent on instructions from top management

**Keywords:** Management Control System, Levers of Control

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## 1. INTRODUCTION

Business competition for selling oil and gas at gas stations makes entrepreneurs compete to provide the best service for consumers. These entrepreneurs certainly pay attention to supporting facilities and infrastructure so that consumers choose their gas stations. The increasing growth of private vehicles, land transportation, and household gas automatically increases the demand for oil and gas consumption in Indonesia. To distribute oil and gas products to consumers, it is necessary to have a place to distribute these products through gas stations. To distribute oil and gas products to consumers, it is necessary to have a place to distribute these products through gas stations. One of the policies of gas station owners is to provide facilities and infrastructure to support the sale of their products or services to consumers.

In Indonesia, the construction of gas stations must comply with the standards and regulations set by Pertamina. When building a gas station, entrepreneurs need contractors to build the oil and gas station. Not only build gas stations, contractors also provide many services such as consulting services, maintenance services, provision of spare parts and environmental impact analysis. The advantages offered by gas station contractors can be seen in the quality, cost, and processing time.

PT. XYZ is a contractor that builds gas stations. In this paper, the author chooses PT. XYZ as the object of research. PT. XYZ has offices in Java. PT. XYZ provides design, construction, and maintenance services for gas stations. PT. XYZ has clients in Java, Sumatra, Kalimantan and Sulawesi. PT. XYZ has been a gas station construction contractor that has been around for more than 10 years. PT. XYZ is a company that still has several family members who help run the business. However, as long as PT. XYZ is established, there has never been an analysis or evaluation related to the application of theory-based management control. Therefore, in carrying out its business activities, it turns out that there are still various findings and phenomena related to obstacles or problems in the management control system that has been implemented so far. Below, some findings and phenomena will be presented which show that there are still problems in the implementation of management control at PT. XYZ.

The first, PT. XYZ is still experiencing problems in the preparation and delivery of the company's vision, mission, and values. For example, grammatically the company's vision does not specifically mention that the company operates as a provider of oil and gas construction services. Top management also does not have specific stages and schedules in conveying the company's vision, mission, and values to employees. This causes employees to

lack direction and momentum to take action unless it is in accordance with actions that have become daily habits. Second, the company's work guidelines are considered ineffective as a guide in carrying out operational activities. For example, when entering into a contract, PT. XYZ only reviews clients from their financial capabilities without seeing how far the clients experience when doing contracts and their capabilities in the oil and gas business.

The third, strategy and Key Performance Indicators (KPI) at PT. XYZ has not consistently monitored the success of achieving company goals. The difficulty in monitoring the achievement of these goals has an impact on the difficulty of PT. XYZ in mapping the company's targets in each region. Indicators to measure customer satisfaction also have not consistently controlled the achievement of predetermined targets. Fourth, external factors changes in external conditions have the potential to create uncertainty. Uncertainty at PT. XYZ is due to changes in Pertamina regulations and the influence of force majeure (such as climate change and Covid 19). PT. XYZ does not have a responsive decision-making mechanism yet to be able to detect this uncertainty. The company only responds when uncertainty has occurred.

Therefore, the researcher wants to conduct an analysis related to the four phenomena of the application of MCS at PT. XYZ which has been described above. The author wants to explore whether there are still problems in the application of MCS at PT. XYZ in addition to those described above. We want to contribute to the company to discuss about what is happening in the current implementation of MCS. The author will analyze the application of MCS at PT. XYZ in-depth. The author will analyze the application of MCS at PT. XYZ with the framework of four levers of control and provides empirical illustrations through case studies. The author realizes that the high competition for oil and gas contractor services in Indonesia has made PT. XYZ must analyze the current implementation of MCS. Through this paper, the author wants to provide insight to PT. XYZ to find out opportunities or problems that have not been or have been detected using the concept of four levers of control.

Simons (1995) argued that one of the tools that can be used to help analyze the implementation of a company's management control system is the concept of four levers of control. This concept consists of four components, namely belief system, boundary system, diagnostic control system, and interactive control system. This statement is in line with Kruis (2016) regarding the balanced idea, that levers of control can detect the company's work so that the control system can be balanced against strategy and goal achievement. This concept is also in line with the statement from Dewi (2019) that to find out how the implementation of the company's management control system can use the

four levers of control model. Companies can analyze the phenomena that occur by including management control implementation issues according to the categories that exist in the concept

With the review related to the implementation of the management control system at PT. XYZ, the company can mitigate risks related to threats or opportunities that arise in order to maintain its presence in the oil and gas construction business in Indonesia. Companies can also monitor and evaluate the implementation of strategies to achieve targets and goals.

In the next section, we review the main literature on the four levers of control concept to identify the implementation of MCS in PT. XYZ. We will explain the research method used in this study. We present empirical evidence to analyze the four levers of control concept in this paper. In the next section, we will discuss the literature review and complete this paper with a discussion, conclusions, and suggestions.

## **2. LITERATURE REVIEW**

### **2.1. STRATEGY FRAMEWORK**

Every company has a strategy to achieve its targets and goals. Hernandez (2021) argued that strategy describes how a company creates principles and direction for itself and related parties. Every company has a different strategy Anthony dan Govindarajan (2007) the level of strategy is divided into two, namely corporate-level strategy and business-level strategy. A corporate-level strategy is a strategy that reflects the overall direction of the company to create by creating growth. Meanwhile, business-level strategy is a strategy that occurs at the product or business unit level by focusing on certain market segments. The business-level strategy consists of a cost leadership strategy, a differentiation strategy, and a focus strategy. Samuel (2017) argued that strategy needs to be coordinated with employees in order to help the company achieve its goals. Therefore, strategy is important to direct various company actions to achieve goals

### **2.2. MCS FRAMEWORK**

Sageder (2019) argued that MCS is a process carried out by managers to influence employees to carry out company strategy. MCS has several processes such as planning, coordination, communication, and evaluation. Klein (2019) the purpose of implementing MCS is to create individual goals to align with

company goals. The implementation of MCS involves all the resources used by top management to ensure that employee behavior and decisions align with company strategy and goals. Simons (1995) argued that MCS will be used by top management to ensure that employees will carry out activities in accordance with the interests of the company. Therefore, MCS will make all employees move towards a common strategy and goal.

### 2.3. LEVERS OF CONTROL FRAMEWORK

Simons (1995) argued that MCS is a routine in the form of information and procedures to assist top management in maintaining and evaluating company activities. Company activities require analysis and review to find out the challenges and problems that will be faced in the future. Simons (1995) argued that to help detect problems regarding the implementation of MCS, a concept called the four levers of control emerged. The concept has four tools that are used to analyze the implementation of MCS in the company (consisting of belief system, boundary system, diagnostic system, and interactive control system).

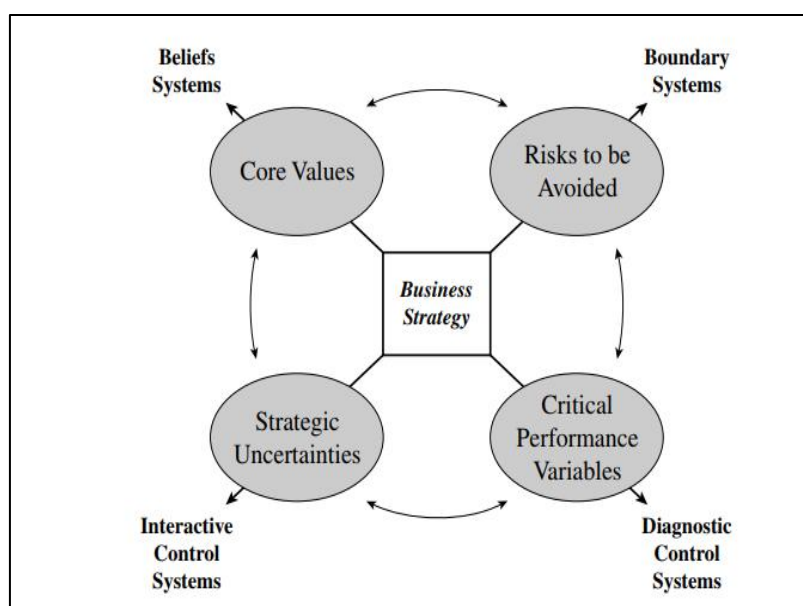


Figure 1. Levers of Control Framework

Source: Simons (2005)

#### 2.3.1. BELIEF SYSTEM

Simons (1995) argued that a belief system is a concept that will create a stable corporate environment through the delivery of the vision, mission, values, and the company. Belief systems are used to inspire employees to create

businesses in accordance with company goals. Belief systems can be used to help company members explore their ideas and ideas. Niven (2010) argued that belief systems must be long-term, easy to understand, and easy to communicate to employees. If the belief system is not aligned with the strategy and goals, it will lead to inefficient activities. If the belief system is not integrated with employees, it will create threats and obstacles at work. Albertini (2019) argued that the belief system must be communicated by top management so that it becomes a principle for employees at work. In addition, belief system should be evaluated if it has experienced obsolescence. Widener (2007) argued that the implementation of belief systems will support the implementation of boundary systems, diagnostic control systems, and interactive control systems.

### **2.3.2. BOUNDARY SYSTEM**

Tessier (2012) argued that the boundary system is a control used by management to provide boundaries and rules that must be respected by all employees. Management needs to create a guideline so that employee behavior does not deviate from company goals. The boundary system is used by top management to establish activity boundaries to be communicated to employees. Simons (1995) argued that boundary systems consist of two things, namely business conduct boundaries and strategic boundaries. business conduct boundaries are boundaries for employees which are stated in the company culture, employee agreements, and code of ethics. strategic boundaries are limits given to employees so that innovation and creativity do not go out of the company's main goals. Pilonato (2020) argued that companies should establish guidelines to remove ambiguity about the way employees work because Each employee has a different understanding when applying the belief system.

### **2.3.3. DIAGNOSTIC CONTROL SYSTEM**

Pešalj (2018) argued that the Diagnostic Control System (DCS) is used to diagnose so that the company's vision, mission, and strategy have been carried out according to their goals. DCS will be monitored with (Key Performance Indicators) KPIs. Simons (1995) DCS is used by top management to turn intended strategies into realized strategies. Therefore, top management can measure the results of the company's performance using DCS implementation assistance. DCS pays attention to critical factor measures to direct all employees towards company goals. By directing employees to critical factor measures to achieve company targets, the implementation of DCS can improve company performance. Adhitama (2017) DCS will decide that the employee's

performance will be rewarded or evaluated based on the performance that has been achieved.

#### **2.3.4. INTERACTIVE CONTROL SYSTEM**

In the previous discussion, DCS is used to ensure that the strategy implemented by the company has been achieved. However, changing environmental conditions can change the company's strategy. Changes originating from unpredictable internal and external factors will create new opportunities or threats for the company. Simons (1995) argued that opportunities and threats that appear suddenly are called strategic uncertainty. Hasyim (2021) argued that strategic uncertainty has the characteristics of being unknowable and unpredictable. Strategic uncertainty is caused by technological changes, demographic dynamics, new regulations, environmental changes, and the emergence of competitors. To detect strategic uncertainties, top management can use the Interactive Control System (ICS). Simons (1995) argued that ICS is a principle used by top management to collaborate with employees in making decisions to deal with strategic uncertainties. ICS will create a debate and dialogue to discuss strategic uncertainties. ICS can help companies explore new opportunities, experiment, and respond to new opportunities or threats. Slagmulder & Devoldere (2018) argued that the application of ICS will provide opportunities for employees to be creative and innovative in dealing with changes in strategy.

### **3. RESEARCH METHODS**

This research strategy is a case study. The case study involves an empirical investigation to explore the phenomenon of MCS at PT. XYZ which is one of the oil and gas contractor companies in Indonesia. The research method used is a qualitative method. This method tries to describe, explain, and answer the problems of MCS implementation at PT. XYZ. Primary data collection was carried out through in-depth interviews in a semi-structured manner with interviewees who had the capability to answer various questions in this study. Secondary data collection comes from documentation studies such as project reports, code of conduct, and company website at PT. XYZ. The author is also supported by literature review such as books and journals to explain the theories and concepts used to support this research..

In detail, questions in semi-structured interviews refer to a series of open-ended questions. New questions can arise through the answers given by interviewees so that during the information mining session can be carried out



more deeply. The author will give open questions to the interviewees but the author also has sufficient freedom to respond, verify, and review the answers that have been given by the interviewees.

A list of questions in the interview is related to the business strategy and implementation of MCS at PT. XYZ by using the framework of four levers of control. The questions will be grouped according to each concept of levers of control consisting of belief systems, boundary systems, diagnostic control systems, and interactive control systems. The author has confirmed to the company that the parties who have the ability to become interviewees are the President Director, HR Director of Human Resources, Director of Finance, Operations Manager, and Marketing Manager. Miles and Huberman (1992) argued that qualitative data analysis which is carried out interactively and continuously until completion consists of three activity lines. Therefore, to answer research questions and generate conclusions, the data analysis technique carried out in this study consisted of three activity lines, namely data reduction, data presentation, and conclusion.

#### **4. ORGANIZATION PROFILE**

This research was conducted at an oil and gas construction company that builds a gas station in Indonesia. PT. XYZ has its head office located in Java Island. In addition, the company also provides construction services such as gas filling stations, retesters, mother stations, and rest areas. PT. XYZ also handles other construction works such as mechanical electrical, fire alarm systems, and electrical systems that support gas station facilities and infrastructure.

In contrast to competitors, PT. XYZ does not trade in project equipment. The company only focuses on providing builder, installation, service, and maintenance services. PT. XYZ relies heavily on suppliers and vendors who provide spare parts according to the standards set by Pertamina. Because under the auspices of Pertamina, in conducting its business, PT. XYZ must comply with the regulations set by Pertamina.

**Vision:** To become a trusted service provider company for all partners and customers. Customer Satisfaction Is Our Priority

**Mission:** 1.) Holding the mandate to realize customer desires according to their abilities 2.) Becoming a reliable partner, 3.) Improving human resources

In carrying out its activities, the company is limited by business conduct boundaries and strategic boundaries. The company's business conduct boundaries are Employee ethics. Meanwhile, the company's strategic boundaries are external service ethics and partnership ethics.

The company's business strategy is a good partnership, optimization of customer relationships, and quality orientation.

In general, the activities of PT. XYZ is supported by four directors, consisting of the President Director (founder and leader of the company's policy direction), Director of Finance (managing plans and targets from a financial perspective), Director of Human Resources (HR) (managing internal controls related to employee behavior), and Director of Operations (managing activities operations and administration), and (Director of Operations will oversee the Operations Manager, Engineering Manager, Civil Manager, and Marketing Manager).

## **5. RESULT AND DISCUSSION**

### **5.1. BELIEF SYSTEM**

Oro (2019) argue that the belief system can work if components such as vision, mission, and company values have been conveyed properly. Based on the author's observations, the vision, mission, and values of PT. XYZ has been listed and published on official documents. Vision, mission, and values become a belief system for PT. XYZ. At any time, employees can access the belief system.

If viewed grammatically, the belief system is still considered general. For example, the belief system of PT. XYZ does not mention the specific identity that the company is engaged in oil and gas construction services. The company does not include vocabulary related to gas stations. Therefore, external parties must take time to ensure and carry out cross-checks that the company does indeed provide construction and maintenance services for oil and gas construction.

Although the belief system at PT. XYZ is still common to external parties but internally the content of the belief system is still able to inspire employees about what direction to take. Based on the belief system in chapter 4, it shows that employees must take matters related to service, customer satisfaction, project management quality, and expanding connectivity.

However, the implementation of the belief system is still found things that must be evaluated in the way of communication. The belief system is not delivered every day and every time. The belief system is only presented as a reminder regarding the company's goals. Submission takes too much time to discuss operational activities. The belief system submission is only done when there is an unplanned briefing or gathering. Employees assume that belief

system communication is included in daily work practices. So the direction and inspiration of the belief system is based on habits at work.

*“Submission of vision is usually through gatherings”* (President Director)

although there are obstacles in the delivery but belief system of PT. XYZ is considered still aligned with the core business at PT. XYZ.

*“Based on our vision which is applied in practice, it is still in line with our core business which discusses gas station construction and maintenance services [...] Service satisfaction is our goal”* (Operational Manager)

This statement is in line with the implementation of the company's work that focuses on service delivery, customer satisfaction, and quality project management by trying to find good suppliers and vendors to support project work. Conformity of belief system with core business at PT. XYZ is proven that the company only provides services in its field and does not deviate from the belief system.

*“And we have never left our core business. The core business has been explained in the vision, mission or company values”* (President Director)

PT. XYZ has three strategies (i.e. good partnership, customer relationship, and quality orientation). In practice, the strategy is considered to be in line with the belief system that is owned because in the vision of PT. XYZ mentions the importance of service and customer satisfaction. This statement was confirmed by the President Director:

*“With good partnership and quality orientation, clients will be satisfied [...] Clients will repeat orders to us”*

## **5.2. BOUNDARY SYSTEM**

Haan-Hoek (2020) argued that the boundary system is used by management to provide company rules that must be respected by employees. Pesalj (2018) argued that the application of the boundary system consists of a vision, Code of Conduct (COC), and Standard Operational Procedure (SOP). Based on observations from documents at PT. XYZ, the company's boundary system consists of a vision and three corporate ethics (employee ethics, service ethics, and partnership ethics). “We have guidelines and limitations in our work (i.e. vision, employee ethics, service ethics, and partnership ethics.” (President Director)

Employee ethics at PT. XYZ consists of the Director's Regulation on the "Employment Code of Ethics". The code of ethics explains the guidelines for employee behavior in working in an office environment. Employee ethics are a guide regarding the flow and stages of work practices in the office.

Gas station construction and maintenance, PT. XYZ uses service ethics and partnership ethics. The ethics contain SOPs from Pertamina. In applying service ethics, PT. XYZ uses the Decree "Pertamina Gas Station Development Certificate" approved in 2021. This stipulation becomes the license and eligibility of PT. XYZ in providing construction services to clients. PT. XYZ is Pertamina's partner. In carrying out operational activities, it is limited by the partnership ethics as stated in the "Pertamina Partnership" regulations. This regulation contains SOPs for gas station contractors in working on projects. These regulations are explained in detail in the book "Technical and Design from Pertamina".

Employee behavior of PT. XYZ is guided by employee ethics. However, the employee ethics at PT. XYZ is less detailed in its preparation. This ethic is still considered general because of PT. XYZ tends to feel that it is enough if they follow Pertamina's guidelines.

*"We have an employee ethic although it is not very detailed"* (Operations Manager)

The implementation of employee ethics based on the Director's Regulation on the "Employment Code of Ethics" is to prioritize employee integrity (i.e. honest and credibility). The information was given by the President Director:

*"The application of employee ethics is based on a good partnership strategy and the quality must be honest [...]. For example, in preparing the budget, it must be honest and according to the design"*

Although personnel ethics have become guidelines for employee behavior, these ethics has never been updated. If there is a violation, the employee will receive a warning letter and an employee transfer will occur. The implementation of employee ethics still needs controlling and monitoring to anticipate the emergence of familial threats when applying sanctions.

While working on projects in the field, PT. XYZ uses the SOP and regulations from Pertamina. PT. XYZ considers that these regulations are sufficient to be a guide in serving clients.

*"We follow the regulations from Pertamina to build a gas station [...] The SOP contains guidelines that explain how the contractor works. So that project work should not deviate from the book (Technical and Design from Pertamina)"* (Operations Manager)

For example, based on the manual, a head safety officer is responsible for monitoring work progress and safety. This is an implementation of SOPs to maintain project quality for clients.

However, the implementation of this SOP often experiences violations related to project progress reporting. This is because the SOP only focuses on

explaining the guidelines for project planning and implementation. This SOP does not explain the flow of monitoring project progress to be submitted to top management. Therefore, the monitoring process is prone to fraud in the delivery of work progress to top management.

In addition, the problem faced by the company is the implementation of the "Pertamina Partnership" Regulation. This issue occurs when selecting client profile criteria. In practice, PT. XYZ only selects prospective clients based on their financial capabilities. This is explained by the President Director::

*“In accepting clients, we don't care about their experience in setting up a gas station business. [...] We will guide the process, if the client has the money, we will do it”*

The impact of the implementation of this SOP causes the project that is being worked on to stop. Usually, the problems that arise from this SOP are the client's financial problems. Even though PT. XYZ is having problems in the client selection process but the company has not made adjustments to this SOP. The company considers this a business risk.

### **5.3. DIAGNOSTIC CONTROL SYSTEM**

Hofmann (2012) argue that DCS is able to detect the achievement of company goals that have been set. KPIs at PT. XYZ is based on customer satisfaction, target market, and achievement of project revenue receipts.

PT. XYZ uses client satisfaction indicators to support the company's strategy to make clients want to repeat orders. KPI uses the client satisfaction to measure the level of satisfaction from the company's services. This indicator is a description of the vision of PT. XYZ that customer satisfaction is the company's priority. Client satisfaction is one indicator of the success of PT. XYZ. The President Director stated that:

*“I will provide the best service to my customers so that they will repeat orders [...] And I have never cheated on construction contracts”*

Employees at PT. XYZ knows the target customer satisfaction. However, indicators of customer satisfaction assessed from the timeliness of work are often an obstacle for employees because they are influenced by force majeure conditions such as natural disasters, bad weather, and the Covid 19 pandemic.

The target market will affect the achievement of income. Based on the author's observations through the data provided by the company, in 2020 and 2021 the market percentage at PT. XYZ is more than 50% in Java. Meanwhile, for other islands, the achievement is below 50%. The use of percentage figures at PT. XYZ in achieving market performance has not been effective in mapping

the company's target. This is due to the lack of monitoring from top management. Employees find it difficult to map out the average target market that must be achieved in each region.

The lack of evaluation of the performance results compared to the planned targets makes it difficult for the company to see whether the goals have been achieved or not. This is a challenge for PT. XYZ to be more specific in monitoring organizational achievements (i.e. customer satisfaction, market targets, and project revenues)

#### **5.4. INTERACTIVE CONTROL SYSTEM**

PT. XYZ is a good partnership, customer relationship, and quality optimization. This strategy is implemented in the technical work of employees to achieve the company's goals of creating client satisfaction, target market, and achieving revenue receipts. However, PT. XYZ faces unpredictable circumstances. XYZ argued that sudden changes are called strategic uncertainties. Strategic uncertainties at PT. XYZ comes from external factors. The first is a change in regulations from "Pertamina Partnership" and the second is from force majeure. Changes to Pertamina's regulations" affect the logistics network of suppliers and vendors in supporting project development. Meanwhile, the impact of force majeure comes from climate change and Covid 19. This is reinforced by the statement from the Operations Manager:

*"The first is the change from the new regulation book from Pertamina [...] And the existence of Covid 19 related to the social restriction policy"*

Strategic uncertainties are not ready to be anticipated by PT. XYZ. Until now PT. XYZ is considered not optimal in finding a formula to eliminate the irritating uncertainty. Strategic uncertainties disrupt the business activities of PT. XYZ both in terms of service, timeliness, and logistics network from suppliers. As a result of strategic uncertainties, one of the effects of losses occurred in the profit and loss statement of PT. XYZ that from 2020 to 2021. Revenue and net income have decreased.

Implementation of ICS, top management has provided an opportunity for employees to express ideas related to the proposed change in strategy. However, in determining the existence of an emergent strategy, employees must wait for the President Director's decision. In addition, the implementation of the debate and dialogue from the employees was carried out after the emergence of strategic uncertainties. This was confirmed by the President Director:

*"If there is a change in strategy and force majeure then we will have a meeting"*

Top management did not mention any specific and formal meetings to facilitate the expression of employees' opinions. Top management only discusses the impact of strategic uncertainties when the changes arise through meetings.

Top management is open to the opinions of employees. However, if the company does not have a formal mechanism to reduce the risk of uncertainty, PT. XYZ is too dependent on decisions from top management in determining the proposed strategy change. Therefore, PT. XYZ needs a formal mechanism to facilitate debate and dialogue from employees to respond to changes in strategy.

## **6. CONCLUSION AND RECOMMENDATION**

### **6.1. CONCLUSION**

- a. Belief system at PT. XYZ has been stated in the vision, mission, and values. Belief system at PT. XYZ is aligned with its core business and strategy. The belief system does not deviate from the core business and strategy. All employees can access the belief system anytime and anywhere. However, the belief system is still considered general in terms of grammar and arrangement so it seems confusing and less attractive to external parties. In addition, the implementation of the company's belief system has not been submitted on a scheduled basis by top management. the implementation of the belief system is still based on the activities and responsibilities of the habits of the employees. The inspiration that comes from the belief system is obtained from daily work practices
- b. The Boundary system at PT. XYZ has been stated in the vision, employee ethics, and guidelines that come from Pertamina. To limit employee behavior, the company is limited by employee ethics. This ethic has been implemented in daily work practices. The company provides warning letters and sanctions if there are employees who violate. However, this ethic has the potential to cause problems of intimacy and kinship threats. Meanwhile, in carrying out strategic decisions, the company is limited by guidelines from Pertamina. This guideline or SOP from Pertamina has given limits to companies related to carrying out project work in the field. However, this limitation still has weaknesses in discussing the terms of project progress delivery and selection of client criteria.
- c. KPIs at PT. XYZ is based on customer satisfaction, target market, and revenue receipts. All employees have understood the company targets that

have been set. In addition to KPIs, the company's achievements are also monitored by the vision and various SOPs that have been set. However, in its implementation there are still obstacles due to the lack of a preventive system in evaluating the actual results of performance achievements compared to the planned targets.

- d. Strategic uncertainties stem from changes in the "Pertamina Decree" and the force majeure factor. In the implementation of the interactive control system, top management has opened up opportunities for employees to express ideas and ideas through large meetings. However, the existence of a debate and dialogue process is too dependent on top management. The debate and dialogue mechanism tends to wait for instructions from top management and is carried out when strategic uncertainties arise.

## **6.2. RECOMMENDATION**

- a. PT. XYZ can revise the belief system again to add identity and characteristics in the field of oil and gas contractors. Top management is also advised to convey the belief system in formal meetings with a set time regularly. Although the belief system has inspired employees to work, the presence of scheduled delivery will increase employee motivation at work. In addition, top management can involve employees in brainstorming activities to convey the elaboration of meaning in the belief system components so that through the belief system employees have the momentum to deal with strategic changes.
- b. Companies must improve their professionalism in the implementation of controlling and monitoring in the application of sanctions so that the application of sanctions on employee ethics does not conflict with family threats. Regarding the implementation of the Pertamina Guidelines, companies must be able to interpret and make adjustments regarding the implementation of various SOPs according to the company's internal conditions. Top management must be able to explain the SOP from Pertamina so that it is in line with the company's needs without violating the regulations
- c. PT. XYZ must have a system that is both mitigation and preventive in nature to control and evaluate the actual results of performance achievements compared to the planned targets. In addition to using vision and KPI, PT. XYZ can apply the concept of a balanced scorecard (BSC) as a means of controlling the company's performance achievement. The BSC concept will later help provide control and evaluation of the performance of PT. XYZ in



- a balanced way through other perspectives, namely internal processes, finance, learning growth. and consumers.
- d. Companies must clarify formal mechanisms in the form of meeting or specially scheduled meetings to discuss risk mitigation from strategic uncertainties. Top management can also provide an opportunity so that the debate and dialogue process can be initiated by employees so that the process of starting the proposed strategy change does not need to wait for instructions from top management.

## ACKNOWLEDGEMENT

We express our gratitude for the cooperation that has been given by the participants of this study.

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