

Exploring the Impact of Top-Management Teams over Management Control System Design and Use

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Management control systems (MCS) play a key role in translating an organization's strategy into desired behaviors and results. The MCS design is a function of organizations' environment and the strategic agendas of their dominant coalitions. This dissertation seeks to examine the MCS design and use at three levels of analysis in top-management teams (TMT), namely, the individual level, team level, and organizational level. To achieve this research objective, the dissertation has set out with a primary research question as follows: *in the context of TMTs, how do the demographic profile, social network relationships, and organizational setting impact the MCS design choices, and, in turn, the strategic capabilities to influence the organizational performance?*. Departing from this primary question, eight secondary research questions are asked to get a more in-depth understanding of MCS design and use by TMTs. In order to answer each of these questions, three interdependent studies are conducted, with a total of 16 hypotheses tested using different research methods. The theoretical background of this study is informed by the contingency theory of organizations, the upper echelon theory, social network theory, and resource management theory. I structured this thesis by developing five chapters. Chapter 1 elaborates on the research objectives and questions, theoretical background, and potential contribution of this thesis to extant literature.

Chapter 2 primarily seeks to answer two related questions: a) *Do top-management group (TMG) bio-demographics, job-related demographics, and demographic heterogeneity have a significant impact on MCIs?*; b) *Is the relationship between TMG demographic characteristics and MCIs contingent upon other moderating variables?*. This chapter extends and contributes to management control literature by meta-analyzing 152 effect sizes from 50 studies to examine the effect of top management group (TMG) demographic characteristics on the adoption of MCIs. Management control researchers have demonstrated a grown interest in applying upper echelon theory to study the managerial factors that influence management control system design. However, the association between TMG demography and management control innovations (MCIs) is still unclear, with inconsistent findings in the current literature. I employed a random-effects meta-analysis approach to estimate the true-score correlation between TMG demographic variables and MCIs. On TMG's individual level, the overall results of the meta-analysis did not find any support for the association between TMG bio-demographics (i.e., age, gender) and the adoption of MCIs. With exception to prior career experience, no significant relationship was detected between TMG's job-related demographics and MCIs. On TMG team level, the findings confirm that demographic heterogeneity has a significant and positive association with the adoption of MCIs. The subgroup analysis of various theoretical and methodological moderators reveals a significant effect of company sector, industry type, and TMG position.

In Chapter 3, I explore the informal social ties among TMTs in relation to the MCS sophistication in small-and-medium-sized (SMEs) manufacturing companies. Drawing on social network theory, this chapter examines both the direct and indirect effects of social network density and centrality in TMTs on the performance measurement system (PMS) sophistication. I argue that when TMT members network based on interpersonal ties, this would provide top managers with easier excess to information and knowledge exchanges. Hence, these informal relationships could facilitate their control over day-to-day activities, and there would be a lesser need for adopting sophisticated management control practices.

Using survey data on manufacturing SMEs from the World Management Survey data, the negative impact of interpersonal ties in TMTs on PMS sophistication is confirmed. The results also shed light on the key role of chief executive officer (CEO) in SMEs, by showing that this negative association is more pronounced in TMTs lead by internally promoted CEOs compared to outsider CEOs. Further, the interpersonal ties among TMTs moderate the extent to which SMEs adopt sophisticated PMS due to pursuing differentiation strategic priorities.

Chapter 4 investigates the role of formal controls and organic organizational culture in family CEO-led firms. Drawing on the family business literature, the study theorizes that having a family member as a CEO would entail preserving family goals besides pursuing business goals (i.e., goal diversity). The first research question this chapter explores is, *to what extent does goal diversity impact family CEOs' combined and balanced use of formal controls and organic organizational culture?* I argue that family CEO uses formal controls to create professional boundary where organizational goals are disputed or negotiated, and then formulated through formalized agreements or contracts. Organic organization culture, on contrary, would allow goals to be discussed and bargained based on family values and affection relations in familial boundary. The second question in this chapter is, *how do formal controls and organic culture form interdependent systems in their effect on strategic capabilities of family CEO-led firms?* The research model is empirically tested using survey data from 958 family CEO-led firms. Consistent with the hypotheses, the results show a positive relationship between goal diversity and combining the use of formal controls and organic organizational culture. Further, this combination is found to be imbalanced (i.e., the relative magnitude of using the two management control practices). The findings suggest that formal controls and organic culture have a complementary interdependent effect on developing the operational capability, but no effect on human resources capability in family firms. The results also indicate that MCS may have an indirect effect on family firms' performance through strategic capabilities.

Finally, this doctoral dissertation concludes by presenting in Chapter 5 the summary of each study's results, practical implications as well as limitations, and future research directions.