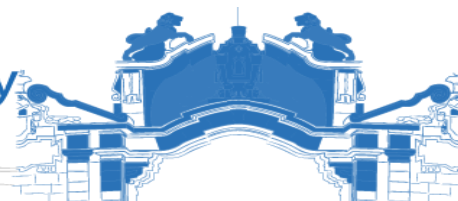




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Evaluation of Management Control System in Brewery Companies:

The case of Harar brewery Share Company

A Partial Fulfillment of a Master's of Science Degree in Accounting and Finance

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Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all source of materials used for the thesis have been duly acknowledged.

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STATEMENT OF CERTIFICATION

This is to certify that Tewodros Alemu Deldawa has carried out his research work on the topic entitled “Evaluation of management control system in brewery Companies: The case of Harar Brewery Share Company”. To my knowledge the work is original in nature and is suitable for submission for the award of the Degree of Master of Science in Accounting and Finance at the Addis Ababa University.

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Chair of Department of Graduate program coordinator

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Abstract

In today's brewery industry, customers are demanding more and more on timely deliveries, zero defects and short-lead times which are becoming the norm in almost all industries. Furthermore, the business market environment has become competitive; markets are becoming more international, dynamic and customer driven. This research paper evaluates Harar brewery SC on the selected elements of management control system specifically, strategy planning, performance measurement and evaluation, incentives, reward and motivations. The researcher used a qualitative type case-based descriptive study that aims to evaluate the management control system. Hence, in order to achieve the main and specific research objectives, survey questionnaire and interviews have used as the main data collection techniques and tools. The main findings and recommendation of the study were that the strategic planning practice being used by Harar brewery SC is in line with the theoretical propositions derived from the literature and its business level strategy has been changing due to deliberate or emergent change in the internal and external environment. The practice of performance measuring process for both entity and individual level, Harar brewery SC has been extensively using the one that relate to financial performance. For measuring individual's performance, Harar brewery SC is using various criteria and performance indicators in measuring its employee performance. Since both customer requirements and the business environment are constantly changing management of the company has to assess how successful they are at meeting the customers' needs, as well as how successful the competitors are. This will also help the company to identify new market. The researcher also recommends the company should have to give the same responsiveness and has to enhance using non-financial performance measurements system as one of major performance measurement system.

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List Acronyms

APA	Annual Performance Appraisal
BSC	Balanced Score Card
COGS	Cost of Goods Sold
EBIT	Earnings Before Interest and Tax
EMS	Environmental Management System
EPS	Earning per Share
ESOP	Employee Stock Ownership Plan
FPM	Financial Performance Measures
FSMS	Food Safety Management System
HACCP	Hazard Analysis and Critical Control Points
MCS	Management Control System
PM	Performance Measurement
QMS	Quality Management System
ROA	Return on Assets
ROI	Return on Investment
STI	Short Term Incentive
SWOT	Strength weakness opportunities and threats
TPM	Total Production Management

CHAPTER ONE

Introduction

1.1. Background of the Study

This thesis deals with evaluation of management control system in brewery Companies: a case study of Harar Brewery SC. Management control system seeks to bring goal congruence and process coordination within the company. According to Soobaroyen (2007), the need for goal sharing and coordination of activities and functions has become increasingly important among companies in view of the increasing pressures on private companies to become more competitive and profitable to satisfy the requirements of their stakeholders. This continuous need for ever-improving bottom-line performance indicators has largely influenced the internationalization of business, in terms of seeking new markets and/or new sources of inputs, and in order to respond to the needs of customers (Soobaroyen,2007). Management control systems in the past were merely envisaged as coordination systems, aiming at confronting actual performance with desired one, comparing results, and taking corrective actions in case of deviations. Now MCS assume a broader vision, involving aspects such as empowerment and encouragement, in order to lead employees to behave in a manner consistent with the organization's interests. Also, it is now accepted that MCS are about taking proactive precautions to prevent problems before their appearance (Merchant & Stede, 2012).

As the business environment is becoming more volatile and unpredictable of the customer preferences, adaptability to environmental changes in the business and customer preferences has become a top priority for brewery companies (Elezi, 2015). According to Elezi (2015), management Control Systems (MCS) are management systems that provide mechanisms for dealing with these changes by ensuring the attainment of strategic and operational goals despite the high environmental volatility of the business. Hence, they play a vital role in the competitiveness of the beer industry and their proper design is essential for success in the market (Elezi, 2015).

According to Tadesse (2016), among the assets not visible in the financial statements, which are capable of conditioning the ability of a company to observe the principle of economy over time, one must take into consideration the wealth of the operating systems. These systems are those by means of which the running procedures of the organizational structure of a company are established. These include the strategic planning systems and the management control systems which have shown themselves to have particular significance with regards to the company's operations.

According to Krumwiede, et al. (2007, pp. 45-62), customers want more variety of goods and services with better quality, including both reliability and faster delivery. Technological developments are occurring at a faster pace, resulting in new product innovation and improvement in manufacturing industry processes. The resulting competitive environment requires low cost and high quality products in increasing varieties. Walt(2004) argue that, one way to achieve this is when well defined and integrated management control system constituting proper basis of result control is established.

In today's brewery industry, customers are becoming more and more demanding on timely deliveries, zero defects and short-lead times which are becoming the norm in almost all industries. Furthermore, market environment has come to be competitive; markets are becoming more international, dynamic and customer driven (Tadesse, 2016).

Management control system is a concept that got attention for the past two decades. Several scholars in the field of management science have been writing more on the essence of management control system in various perspectives. According to Otley et al. (1995, pp.55-60), MCS is processes that embody the techniques and mechanisms which companies' employ to pursue objectives, accomplish goals and successfully pursue strategies. It also integrate motives assist decision making, communicating objectives and provide feedback. Anthony and Govindarajan (2000), have defined, management control system as the process by which managers influence other member of the organization to implement the organization's strategies and can therefore be perceived as the link between strategy formulation and task control to truly achieve success of the organization. Management control system (MCS) is a logical integration of techniques to gather and use information to make planning and control decision, to motivate employee's behavior, and to evaluate performance. It is the process by which managers assure

that resources are used effectively and efficiently in the accomplishment of the organization's objectives' - in other words control using both financial and non-financial objectives. It is specifically concerned with the process by which managers influence other members of the organization to implement the organizational strategies (Anthony and Govindarajan 2000). Management control system involves planning the company objectives, communicating the information and coordinating the company's activities and finally evaluating the information.

MCSs have been recognized as important in the formulation and implementation of strategies. The orientation of corporate and business strategy should, therefore, be reflected in the design and use of the MCSs at the respective organizational levels (Langfield-Smith 1997 cited in Fredrik Nilsson 2002). In coping with the competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry; overall cost leadership, differentiation and focus.

Management control system deals about strategic planning, budgeting for internal reporting and decision making, incentives and motivations; performance measurement and evaluations; product costing, pricing and cost control; and waste minimization. These techniques are not mutually exclusive, rather may complement and reinforce each other in an effective management control system.

1.2. Statement of the problem

The management control system must be considered as a part of the more far-reaching management system, whose purpose is to manage and direct the company towards the chosen strategic and profitability objectives and targets, thereby minimizing the business risk (Tadesse, 2016).

In wide-ranging today's business environment is becoming more sophisticated and competitive in nature. Companies in different industries are upcoming with a number of differentiated products and characterized by high quality with the level best required level of innovative skills. These all devotions and efforts are aimed at bringing success to the industry they belong. In a competitive market environment appropriate design and use of MCS components have a direct relationship with the success of the organization. Companies can gain coupled economic rewards, more efficient allocation of resources supplemented by new initiative such as total

quality management, continuous improvement and enhanced benefits to employee by setting proper management control system. Since the late 1960's strategy planning has become topical with an ever increasing interest in the subject. This is due to a rapid change in business environment in both public and private sector (Bedford et al., 1989). The strategy planning that is appropriate for one environment setting may be inappropriate in subsequent time periods and the statements of goals need to be clarified and restated in times of rapid changes (Bedford et al., 1989). Good strategy is the one well matched to company's external and internal situations; as the company's situation changes in significant ways, then adjustment in a strategy typically are needed. According to Bedford et al. (1989), without constant clarification and reformulation, statement of plans [strategy] becomes ambiguous and there is always a danger that planning can end up becoming a "form-filling", bureaucratic exercise, devoid of strategic thinking. The effectiveness of performance measurement system is also an issue of growing importance to industrialists and academicians.

According to Anthony & Govindarajan (2001), the financial measures encourage a short term action that are not in the companies' long term interest; the pressure to meet current profit level, the more likely the unit manager will be to take short term action that may be wrong in the long run. Many companies do not have a formal mechanism for updating the measure to align with changing in strategy. As a result, most companies continue to use measures based on yesterday's strategy (Anthony & Govindarajan, 2001).

Many organizations are investing considerable amount of resources in implementing a measure that reflects all dimensions of their performance (Adam & Baile, 2002). Different literature generally classifies performance measure in two broad categories: Financial and Non-financial. The financial measures have been criticized because they provide a picture that is too narrow and have tendency to manipulate data. Moreover, factors such as non-financial measures are not taken in to account (Shield & Kaplan, 1997).

Furthermore, various performance measures that have been developed over the years, creates difficulties for firms to actually understand and know the right performance measures that fit their operational activities. According to Bonner & Sprinkle (2002) cited in Condly et al. (2003), reward and compensation control intends to motivate and increase the performance of individuals and groups within organizations by attaching rewards to the achievement of goals or

task. Various incentive programs target either the individual or the group. Brickley et al. (2007) summarized the four potential problems with subjective performance evaluation: shirking among supervisors, forced distribution, influence costs, and renegeing. In other words, supervisors may shirk on performance evaluations, for instance, by rating all employees about the same, overstating the poor performers, compressing ratings around some norm rather than disentangling good performers from bad performers, or ranking employees based on personal likes and dislikes. Forced distribution refers to an allotment where a fixed fraction of employees is assigned to specific categories. This can also lead to inaccuracies especially if applied to small groups. Influence costs include those unproductive activities employees engage in order to influence outcomes. Renegeing refers to these potential that a firm will break a promise to reward superior performance, since the subjective measures are not verifiable. In addition, Condly et al., (2003), argues that, an incentive targeted to team of employees is less powerful than individual incentives. Some incentive programs last only for a few days or weeks while others go on for years. The duration of an incentive program might influence their effect and the long run and intermediary incentives are less effective than short term incentives (Condly et al., 2003).

In Ethiopian manufacturing enterprises management control practice is not well developed. Since the manufacturing sector is a nascent industry; no sophisticated system may be expected. Yet, in this global world of trade and industry, where customers have several choices, competitive products and services only are destined to succeed (Guta, 2010). Due to the yet embryonic manufacturing industry of the country, case study or survey of MCS practice may not as such be of interest. This research takes Harar Brewery SC as a case study to demonstrate the design and the practices of management control system components in the area of strategic planning, performance measurement and evaluation, and incentive, reward, and motivation.

1.3 Research Questions

In order to evaluate the components of management control system the following research questions are formulated in order to conduct the study.

1. What strategies are being pursued by Harar brewery SC in producing and marketing its Products (Both business level and manufacturing strategies)?

2. Are the strategies being used by Harar Brewery SC subject to adjustment as change occur in the business environment (internal and external environment)?
3. Which performance measurement techniques are being employed by Harar brewery SC (Financial Non-financial / hybrid)?
4. How does Harar brewery SC measure the entity and individual level performance?
5. How often measure the entity and individual level performance?
6. What is the purpose of reward and motivation plans of Harar brewery SC?
7. What types of incentive and motivation systems are being used by Brewery SC (material/ non- material, monetary/ non- monetary, group/ individual based, the time pattern and how it is used (the process)?

1.4 Objectives of the study

1.4.1 General objective

The objective of this study is to evaluate Harar Brewery SC on selected components of management control system specifically strategic planning, performance measurement and evaluation, reward, incentive and motivation.

1.4.2 Specific objectives

In order to attain the general objective, the study has assumed the following specific objectives:

1. To examine decision making capabilities of the company.
2. To assess whether Harar brewery SC strategies are well designed and adjusted to accommodate changes in the business environment.
3. To investigate what methods of performance measurement and evaluation framework are used in management control and task control (financial, non-financial or mixed measures, individual or team based performance measure).
4. To analyze the reward, incentive and system of motivation used by the company to motivate its employees.

1.5 Significance of the study

This paper try to bring light to the experience of one of the manufacturing companies engaged in beer industry. Practice of the company management control system is evaluated against the theoretical principles and any gap is reported. It is hoped that the study shed light on important aspect of management control System practice and will also provoke future research on the subject in connection to enterprises in the country.

1.6 Scope of the study

In conducting this study only one company is selected for the evaluation. Since it is a case study, the findings cannot be generalized to all brewery companies. Among management control system tools, strategic planning, performance measurement and evaluation, incentive, reward, and motivation are selected to be analyzed. The need to focus on one company alone arose from the fact that Harar brewery is operating in Ethiopia and acquired by Heineken international, an international company, which has more than 150 years international experience to work in complex and competitive environment.

1.7 Limitations of the study

In conducting this study, it would be tried to be accurate in all aspects in the process. The researcher believes that it would be much more comprehensible if it would have been conducted in country wide brewery industries taking numbers of companies. However, because of the constraints of time and money, the researcher is forced to limit the study to this limited area.

1.8 Structure of the thesis

The paper would have been organized as follows. The first chapter was the general introduction of the study. Literature review identifies the gap in the existing literature and would be indicated in second chapter. The third chapter outlines the research methodology. The fourth chapter would present discussion of case study evidence with results and interpretation of data. The last chapter draws conclusions and implications and wind up the report by highlighting future research areas.

CHAPTER TWO

Review of Related Literature

2.1 Management Control System

According to Tadesse (2016), a wide variety of terms exists both within an academic sphere and in company practice, for describing the control activities. Among these, the term “management control” probably represents the most well-known and widespread term in the vocabulary of business management and as such is the most conditioned by subjective interpretations. Moreover, the control procedures have changed over the course of the years showing preference from time to time for solutions targeted at solving the contingent operating needs (Tadesse, 2016).

Management Control Systems (MCS) as defined by Anthony (1997), (cited by Langfield-Smith, 1997) is the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization s objectives. MCS is a system used in an organization which collects and uses information to evaluate the performance of the organizational resources that will eventually influence the behavior of the organization to implement organizational strategies.

There are several other definitions given by other authors which are somehow related to the latter definition (Anthony & Govindarajan, 2001). While it is known that the term management control implies the role of management in control, we mostly emphasis control aspect in accounting or managerial accounting, It is, therefore, essential to know objectives of control on business.

2.2 Objects of Control Framework

The objective of MCS is to alter and influence employee behavior toward the achievement of organizational objectives. Positivist agency theory identifies the need for governance mechanisms in the principal–agent relationship, which limits the self-serving behavior of agents (Eisenhardt, 1989). The principal–agent literature on the agency model emphasizes the need for and the requirement of managerial accounting policies and procedures, such as budgeting, performance measures, and monitoring (Baiman, 1990). The link between management

accounting and agency theory originates from the information economics literature (Lambert, 2006), in which the author suggests that management accounting is a domain that focuses on the performance measurement and information issues in the organization.

According to Merchant and Van der Stede (2003) argument, the need for management control exists due to three main reasons: Lack of direction, motivational problems and personal limitations. For assessing these issues, they propose the object of control framework, which came to divide control practices into four main groups. Literally, the classification stems from the deterrent objects that can faces on the result produced, the actions taken or the types of people employed and their shared norms and values.

2.3 Categories of Control System

The new theoretical framework is presented to enable researchers to explore the themes and patterns of MCS practices empirically and study how social settings of an organization might contribute to the evolvement of specific MCS forms in its respective social environment. Similarly, the framework offers an overall guide about MCS “as a package” to comprehend the role of the diverse social settings on the design and use of MCS practices in its environment (Mourouka et al., 2010).

After a review of MCS literature and analyzing the current limitations of MCS, both conventional and the contemporary perspectives, the key MCS themes are identified and classified as: cultural, administrative and process controls, result control to understand the forms of MCS in its social context. In addition, the theoretical framework is intended to offer a bigger picture about MCS themes, both formal and informal practices. It is believed that, with this theoretical framework, the different aspects of MCS, namely; cultural, administrative and process controls of an organization will be captured better. The three MCS control components are analyzed in the next section (Mourouka et al., 2010).

2.3.1 Cultural Controls

In any society, cultural traditions and norms represent the paramount determinant that structures all other social activities which takes place in that society (Hofstede, 1984). According to Hofstede (1980) cultural traditions and norms are the thinking models and the collective programming that specific societies share and transfer through generations. Similarly culture demonstrates the meanings that people attach to the various aspects of their own world. In

management and control, Hofstede (1984) viewed that “management within a society is very much constrained by its cultural context, because it is impossible to coordinate the actions of people without a deep understanding of their values, beliefs, and expressions”. To understand the role of cultural values in control and planning of the different societies, Hofstede (1980) identified that cultural beliefs, norms and values are the most important factors that shape the type of MCS in an organization. Based on the societal culture, organizations have to develop their own subculture which aims to create goal congruence among different individuals in the organization (Feldman, 1988). Therefore, as Ansari and Bell (1991) and Uddin (2009) argue, the MCS of an organization cannot be understood in isolation of its social setting in which the organization operates. Even though culture is a social phenomenon which is very complex to understand (Hofstede, 1984), however, there are three types of cultural controls that are recognized in MCS literature; clan control (Ouchi, 1979), beliefs and value controls (Simons, 1995; Herath, 2007) and symbol-based controls (Tsamenyi et al., 2008). The concept of clan control has been developed by Ouchi (1979) and it indicates that individuals, in certain groups, are exposed to socialize each other to instill a set of values in them and develop a sense of belonging inside (Chua, Lim & Sia, 2009). The concept of clan control can informally emerge within an organization to form a kind of boundaries such as an organization section or division (Malmi & Brown 2008). In the anthropology, clan control may be a network based on homogeneous ideology, philosophy, or ancestry that creates a method of peer monitoring system (Ouchi, 1979). For instance, the informal relationship between managers and their employees is a form of clan controls. Such informal connections may produce a kind of solidarity among individuals, self-regulation, mutual trust among members and commitment to the work (Cook et al., 1997; Jones, 2000; Berry et al, 2009).

A theoretical framework for management control practices beliefs and value control refers to “the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purposes and direction for the organization” (Simons, 1995, p. 34). Even though this type of clan control is informal, however, it is a useful approach to easily communicate organizational information such as vision, mission, values and other strategies. Malmi and Brown (2008) view belief and value control as operating at three levels; employees’ selection and recruitment, socialization process and the alignment of employees’ behavior to the organization’s objectives. Symbol-based control plays less effect on

the organizations operational culture. It refers to the physical expressions of the organizational environment such as the design of offices, dress codes of the key staff and promoting specific behavior of employees (Malmi & Brown, 2008).

These cultural control elements are considered the key factors that shape the design and implementation of an organizations operation generally and MCS in particular (Ansari & Bell, 1991). To succeed with the technical and operational tasks, cultural control should first succeed (Chenhall, 2003).

2.3.2 Administrative Controls

Administrative control tasks refer to the organizational structure and governance system. It is the control tasks that involve the administrative matters such as the design of organizational structure, setting responsibilities and defining governance mechanisms. In this proposed new dimensions, administrative control include the task of vision/mission, organizational structure, governance system and boards and the process of MCS change. First, is the vision and mission statement which is the “overriding purpose of the organization in line with the values or expectations of stakeholders” (Ferreira & Otley, 2009, p. 268).

According to Ferreira and Otley (2009) clear vision and mission statements create goal congruence among individuals as well as directing individuals’ actions towards organizational objectives (Malmi & Brown, 2008). Additionally, clear vision and mission statements may enable an organization to define its relationship with its stakeholders, such as customers, suppliers and the public at large (Chenhall, 2003). Similarly, as Ferreira and Otley (2009) view, the well-defined vision and mission statement certainly will affect the type of MCS in the organization. Although having vision/mission does not guarantee the success of MCS practices, it provides better guidelines to the management and employees and simplifies the communication process within the organization. Second, refers to the organizational structure. Organizational structure plays an important role to determine individuals’ responsibilities and accountabilities in the organization (Abernethy & Brownel, 1997).

Depending on the contingent factors, there is no an identical organizational structure that is applicable to all organizations at all time, but every organization adopts the structure that is applicable to its organizational needs and that complies with its social environment (Herath,

2007). As a result, every organization should design and implement the structure that enables it to achieve its ultimate goals. Organizational policies and procedures are part of the organizational control, which is considered the most critical part of organizational structure, as well as the processes and employees' behavior that an organization wishes to achieve (Malmi & Brown, 2008).

Third, refers to the governance system that is used to determine the relationship between the agent (management) and the principal (stakeholders) of an organization. The organizational governance refers to how organizational boards and management committees direct and manage their activities and responsibilities both vertically and horizontally (Malmi & Brown, 2008). In other words, governance is a way to harmonizes the different interests of the stakeholders and create formal relationship among different management lines and authorities, decision-making units and how these different divisions liaison their managerial tasks.

To understand organization's governance in the different social context, Tapsell and Woods, (2010) revealed that traditional governance theories could not sufficiently explain governance forms in the various socio-cultural contexts. This means that different societies may necessitate adopting different localized forms of governance that matches to its socio-political, economic and cultural contexts. Forth, is the process of MCS change which refers to the possible changes that may occur in the MCS practices in a certain times.. With the fact that an organization is an open social system, which interacts with its socio-cultural and economic factors, it should cooperate and be responsive to its surrounding environments. In response to the possible changes of market situation; technology, customer perceptions and employee attitude and morale, may also necessitate changing MCS practices to match with the organizational needs and circumstance. Ferreira and Otley (2009) point out that introducing new structure, approaches, technology, management procedures or new products and services may also make necessary to change and undertake the adjustment of certain MCS practices.

2.3.3 Process Controls

Unlike the previous control factors which involved the structural and governance systems, this type of control mostly involves the operational activities and daily routines of an organization. Process control is an integrated group of activities that are employed to accomplish specific organizational goals, such as physical, people and material elements (Atkinson et al., 1997; Anthony & Govindarajan, 2007). Based on the literature of MCS, process control refers to those operational tasks used repeatedly for operational controls. According to Anthony and Govindarajan (2007), the control mechanisms of process control include planning, budgeting, performance measurement and compensation plans. As the first operational task in an organization, planning is the “the conscious determination of courses of action designed to accomplish purposes” (Koontz, 1958, p. 48). For any organization, there are five major stakeholders to serve customers, employees, suppliers, owners, and the community (Atkinson et al., 1997). To achieve the needs of these customers, an organization should set standardized results (plan) that is in accordance with the ultimate goals (Atkinson et al., 1997). Planning enables the management to control employees’ behavior and align it with the organizational goals. Also planning represents a contract between an organization and what its stakeholders desire (Anthony & Govindarajan, 2007). Planning can be action plan (short term) or strategic plan (long term) . An action plan refers to the issues of the near future such as twelve months or less, while strategic (long term) planning focuses on medium and long term future activities (Malmi & Brown, 2008).

Where there is planning budgets should also exist. Budgets refer to the tasks of forecasting the future financial performance of an organization to analyze its financial competence to implement its strategies and plans (Davila & Foster, 2007). In other words, budgeting tasks concern the accounting-based information that helps translate plans into measurable actions. As King, Clarkson and Wallace (2010) state, budgets can be used as the best instrument of MCS, because it can effectively influence employees’ behavior to translate organization’s goals into achievable actions. In MCS concept, there is budgeting and budgets. Budgeting refers to the process of budget preparation, while budgets are arithmetical expressions of the allocation of available financial resources to the different planned activities (Atkinson et al., 1997; Malmi & Brown, 2008). Empirically, the role of budgets in MCS was extensively researched (e.g. Fruitticher et al.,

2005; King et al., 2010; Libby & Lindsay, 2010; Frow et al., 2010). However, the findings of the empirical studies reflect the role of socio-cultural and economic situations of organizations studied. Basically, organizations use two types of budgets; operating budgets (sales, capital, production/service, labor and administrative) and financial budgets.

Even though, budgeting and budgets are criticized for its rigidity, however, to the present day budgets serve as the most common performance measures to the extent that without budgets, performance measurement may not have any meaning. Therefore, budgets still seem to be a prerequisite to the efficiency of performance measurement.

Performance measurement (PM) is defined as “the financial or nonfinancial measures used at different levels in organizations to evaluate the success in achieving their objectives, key success factors, strategies and plans” (Otley, 1999). The purpose of PM is to fulfill the expectations of stakeholders through quantitatively measureable results. The common financial performance measures (FPM) that are used by many organizations include; the financial ratios; profitability, liquidity, return on investment, return on equity, residual income, net earnings, earnings per share and revenue growth that are used to assess the success of the organization’s European Journal of Business and Management (Hoque, 2003; Halabi, Barrett & Dyt, 2010). Similarly, to complement the deficiency of FPM, nonfinancial measures have been developed to assess non-quantifiable aspects of an organization’s activities. The main nonfinancial measures are the economic value added, total quality management, productivity, customer satisfaction and market share (Otley, 1999). Recently, balanced scorecard (BSC) is considered as the most integrative performance measurement systems. Developed by Kaplan and Norton in 1990s, BSC was questioned as it failed to explain the informal aspects of the organizational operations specifically that which relates to the human behavior (Berry et al., 2009; Ferreira & Otley, 2009). BSC focuses on the financial measures while it ignores the regular changes of an organizations’ environment (Chenhall, 2005). Furthermore, BSC is criticized for its inflexibility in managing the incentive plans and reward as well as for its subjectivity in measuring intrinsic rewards of the employees (Berry et al., 2009)

Incentive plans and reward system is the thing that employee value, and hence motivates them to act in a specific way that is in the interest of the organization (Atkinson et al., 1997; Merchant & Otley, 2007). As Anthony & Govindarajan (2007) view, the main goal of incentive plans and

reward system is to form goal congruence between organizations goals and employees interests. There are two types of motivating employees; extrinsic and intrinsic. Extrinsic motivation represents the quantifiable benefits that are provided to the employees through financial rewards (Stringer et al., 2011). Commonly, this type of incentive management is the collective rewards that are given to the employees such as profit sharing schemes, team-based incentives and gain-sharing plans. On the other hand, intrinsic motivation is the psychological satisfaction that individuals gain through unquantifiable approaches (Ferreira & Otley, 2009; Stringer et al., 2011). These unquantifiable approaches may include; recognition, fairness and equity, inclusiveness and praise of the employees (Ferreira & Otley, 2009). In the MCS literature, majority of the organization employ the extrinsic motivation methods while intrinsic approaches are hardly used by the studied organizations (Stringer et al., 2011).

The flow of the information and communication represents the binding engine that keeps the entire system of the organization together (Ferreira & Otley, 2009). Information flow systems and networks are the approaches used to make the information flow among different divisions, both horizontally and vertically, through formal and informal roots. The efficiency of the information determines the success of the other MCS practices (Herath, 2007). The importance of information sharing among individuals in the organizations is developed by Ferreira and Otley (2009) who considered it as an indispensable control mechanism. Ferreira and Otley (2009) view that information distribution system is a mechanism that motivates employees to behave in the best interest of the organization. Efficient MCS of information flow enables the organization to take proper corrective actions on time and encourages innovation and creativity (Ferreira & Otley, 2009). Additionally, according to Ferreira and Otley (2009), information flow depends on the technology infrastructure, accounting information systems, financial reports and the budgets control practices. Furthermore, information timeliness, accuracy, relevance and reliability may also be essential elements for information flow and distribution.

Result Control

According to Merchant & Van der Stede (2003), result controls are an indirect form of control issue, since they influence employees' actions by taking rewards to desired results. In addition to monetary compensation, the rewards include job security, promotions, autonomy and recognition. Merchant & Van der Stede (2003), argue that result controls are on essential

prerequisite for employee empowerment since they provide a substantial amount of autonomy to the employees. The autonomy occurs due to the fact that employees are being held responsible for the results they produce, not the action they take. In other perspective, the result control do not state the action employees shall and take rather focus their attention to the result to be achieved and motivate them to take appropriate actions they believe will generate the desired result.

Merchant & Van der Stede (2003), known scholars in management science have proposed four steps that are required for the implementation of result control. First, an organization should define the right performance dimensions to be measured that are congruent with the organization's goals and strategies. Second, it is required that the organization measures performance on these dimensions. Third, these organizations ought to set specific target for every aspect of performance dimension that is measured. Finally, the organization should provide rewards and punishments to promote the kind of behaviors that are in line with the desired results.

2.4 Strategic Planning

2.4.1 The Nature of Strategy

According to Condly (2003), the term 'strategy' is probably one of the most ill-defined in the business vocabulary, having a wide range of connotations. As per Kenneth, et.al (2008) strategies, defines how organization should use their resource to meet their objectives. Strategies can be viewed as constraints that organizations place on their employees, so that they will focus their activities on what their organizations do best, particularly in areas where they have an advantage over their competitors.

Most competent managers, spend considerable time thinking about the future. The result may be an in formal understanding of the future directions the entity is going to take or it may be a formal statement of specific plans about how to get there. Such a formal statement a plan is here called a strategic plan, and the process of preparing and revising this statement is called strategic planning (elsewhere called long- range planning and programming (Anthony & Govindarjan, (2001)).

Strategies can be specified formally or left largely unspecified. Most of organization develop formal strategy through systematic, often elaborate planning process; other organizations do not have formal written strategies instead they try to respond to opportunities that present themselves. Mint berg (1994), identifies three types of strategy: intended, realized and emergent strategies. Intended strategy is strategy as conceived of by the top management team. Here, rationality is limited and the intended strategy is the result of a process of negotiation, bargaining, and compromise, involving many individuals and groups within the organization. Realized strategy is the actual strategy that is implemented. Here, it is only partly related to that which was intended. Emergent strategy is the decision that emerges from the complex processes in which individual managers interpret the intended strategy and adapt to changing external circumstances. Emergent strategy is the primary determinant of realized strategy. Major elements of these strategies, emerge from a series of interactions between management employee and the environment from decision making spontaneously from local experimentation designed to learn what activities lead to the greatest success. According to Otley (1999), the contingent theory of management accounting suggest that there is no universally applicable system of management control but what the choice of appropriate control techniques will depend on the circumstance surrounding a specific organization. The central contingent variable is the strategy and objectives that the organization decides to pursue. Not only are these objectives likely to heavily influence the choice of performance measure to be used (i.e., desired outcomes), but they also must act as the criteria against which the contingent choice that have been made can be evaluated (The ‘goodness of fit’ of the system). Strategy is formulated at various levels of the organizations, corporation, business level, manufacturing level among others.

2.4.2 Business–level strategy

According to Simons (2000), Business strategy is concerned with how to compete in defined product markets. Questions such as “How can we differentiate ourselves from competitors to create value in the market place?” or “How can we offer something unique and valuable to our targeted customers?” are typical of business-level strategy. The external business environment, internal capabilities of organizations and the expectation and influences of stakeholders are all potential influences on the development of business-level strategy.

According to Guta (2010), business-level strategy is all about organizations developing a good competitive strategy. Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage over its competitors in the market. Competitive strategy in an organization is created in the separate business units of the organization and to develop a good competitive strategy the organization must be able to identify its strategic business units. For public service organizations, the basis on which the organization chooses to sustain the quality of its services within the agreed budgets, is how it provides best value. According to Porter (1980), proposed three different generic strategies by which an organization could achieve competitive advantage. These were: overall cost leadership, differentiation and focus. Overall cost leadership exists when the firm is able to deliver the same benefit as competitors but at a lower cost. Exist when the firm is able to deliver benefits that exceed those of competing products. These are based on the principle that organizations achieve competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors (Porter.1980).

A resource-based view emphasizes that the firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Resources are the firm's specific assets useful for creating a cost or differentiation advantage that few competitors can acquire easily. These includes: patents and trademarks, proprietary know-how, reputation of the firm, brand quality etc. Capabilities are the firm's ability to utilize its resources effectively. An example is the ability to bring a product to market faster than competitor (Guta, 2010).

For most industrial companies, the manufacturing operation is the largest, the most complex, and the most difficult-to-manage component of the firm. Because of this, firms must have comprehensive manufacturing strategies. Manufacturing strategy is a critical part of the firm's corporate and business strategies, comprising a set of well-coordinated objectives and action programs aimed at securing a long-term, sustainable advantage over competitors (Guta, 2010). It should be consistent with the firm's overall strategies, as well as with other functional strategies (Fine and Hax, 1985).

2.4.3 Manufacturing Strategy

According to (Fine & Hax (1985), for most industrial companies, the manufacturing operation is the largest, the most complex, and the most difficult-to-manage component of the firm. Because of this, firms must have comprehensive manufacturing strategies. Manufacturing strategy is a critical part of the firm's corporate and business strategies, comprising a set of well-coordinated objectives and action programs aimed at securing a long-term, sustainable advantage over competitors. It should be consistent with the firm's overall strategies, as well as with other functional strategies (Fine & Hax (1985).

Firms major strategies at manufacturing process includes; reducing cost of production, improving product quality, reducing lead time, reducing amount of material scrap and reducing amount of production waste (Fine and Hax 1985). According to Swamidass & Newell (1987), manufacturing strategy is viewed as the effective use of manufacturing strengths as a competitive weapon for the achievement of business and corporate goals. Manufacturing strategy reflects the goals and strategies of the business, and enables the manufacturing functions to contribute to the long-term competitiveness and performance of the business. According to Bourne (2002), a manufacturing strategy is defined by a pattern of actions, both structural and infrastructural, which determine the capability of a manufacturing system and specify how it will operate to meet a set of manufacturing objectives which are consistent with overall business objectives.

2.4.4 Benefits and limitations of strategic planning

Benefits:

Anthony & Govindarjan (2001), identified the benefits and pitfalls of a formal strategic planning process. Accordingly it can give to the organization: 1) a framework for developing the annual budget; 2) a management development tool; 3) a mechanism to force managers to think long term, and 4) a means of aligning managers with the long term strategies of the company.

1. **Framework for developing the annual budget:** An operating budget calls for resource commitments over the coming year, it is essential that management make such resource commitments with a clear idea of where the organization is heading over the next several years. A strategic plan provides the broader framework. Thus, an important benefit a

preparing a strategic plan is that it facilitates the formulation of an effective reporting budget and it facilitates optimal resource allocation decision in support of key strategic options.

2. **Management development tool:** Formal strategy planning in an excellent management education and training tool that provides managers with process for thinking about strategy and their implementation. It is not an overstatement to say that in formal strategic planning, the process by itself is a lot more important than the output of the process which is the plan document.
3. **Mechanisms for forcing management to think long term:** Managers tend to worry more about tactical issues and managing the present, day-to-day affairs of the business than about creating the future. Formal strategic planning force managers to make time for thinking through important long-term issues.
4. **Means of aligning managers with corporate strategies:** The debates, discussion and negotiation that place during the planning process clarify corporate strategies, unify and align managers with much strategy and reveal the implication of corporate strategy for individual managers.

Limitations:

There are several potential pitfalls or limitation to formal strategic planning. First, there is always a danger that planning can end up becoming a "form filling", bureaucratic exercise, devoid of strategic thinking. In order to minimize this risk of bureaucratization, organizations should periodically ask, "Are we getting fresh ideas as a result of the strategic planning process?" The second limitation is that strategic planning is that, it is time consuming and expensive, the most significant expense is the devoted to it by senior management and managers at other levels in the organization (Anthony & Govindarjan, 2001).

2.5 Performance measurement and evaluation

According to Neely et al (1995), performance measure can be defined as the process of quantifying the efficiency and effectiveness of action. Literally it is the process of quantifying action, where measurement is the process of qualification and action leads to performance.

2.5.1 Performance measurement

There is currently considerable interest in performance measurement. Management interest can be gauged from the high levels of attendance at the large number of industrial conferences on the subject. Academic interest is manifest through the considerable number of papers on the topic (Neely, 1999).

In the late 1970s and 1980s, authors expressed a general dissatisfaction with traditional backward looking accounting based performance measurement systems, identifying their shortcomings and arguing for change. In the late 1980s and early 1990s, this dissatisfaction led to the development of “balanced” or “multi-dimensional” performance measurement frameworks. These new frameworks placed emphasis on non-financial, external and future looking performance measures. They were then quickly followed by the development of management processes specifically designed to give practicing managers the tools to develop or redesign their performance measurement system.

According to Neely et al. (1995), performance measurement can be defined as the process of quantifying the efficiency and effectiveness of action. In a general term, it is the process of quantifying action, where measurement is the process of quantification and action leads to performance. According to the marketing perspective, organizations achieve their goals, that is, they perform, by satisfying their customers with greater efficiency and effectiveness than their competitors.

The terms efficiency and effectiveness are used precisely in this context. Effectiveness refers to the extent to which customer requirements are met, while efficiency is a measure of how economically the firm’s resources are utilized when providing a given level of customer satisfaction (Neely et al. 1995). This is an important point because it not only identifies two fundamental dimensions of performance, but also highlights the fact that there can be internal as well as external reasons for pursuing specific courses of action. Take, for example, one of the quality-related dimensions of performance – product reliability (Neely et al. 1995).

In terms of effectiveness, achieving a higher level of product reliability might lead to greater customer satisfaction (Neely et al. 1995). In terms of efficiency, it might reduce the costs incurred by the business through decreased field failure and warranty claims (Neely et al. 1995).

Hence the level of performance a business attains is a function of the efficiency and effectiveness of the actions it undertakes (Neely et al. 1995).

Even though the measurements of business performance has long been of central interest to both managers and management accounting researchers, management accounting has tended to restrict itself to considering only financial performance and to use frameworks and theories drawn primarily from the discipline of economics (Neely et al. 1995). Most economic theories analyzing the choice of performance measure indicate the performance measure systems should incorporate any financial (on) non-financial measures that provide incremental information on managerial effort (Neely et al. 1995). Despite these model firms traditionally have relied almost exclusively as financial measure such as budgets profits, accounting returns and stock returns for measuring performance.

In an attempt to overcome these criticisms, performance measurement frameworks have been developed to encourage a more balanced view (Neely et al. 1995). These new performance measurement frameworks may have answered the question “what types of measures should a company use?” but they did not provide specific advice to a company implementing a performance measurement system. To do this a management process was needed and there are a number of different approaches in the literature. For example,

- Bitton (1990) proposes an approach based on the GRAI methodology for enterprise modeling, breaking down the planning and control of manufacturing into discrete decision making units and then attaching appropriate performance measures to each decision.
- Dixon et al. (1990) use their performance measurement questionnaire (PMQ) to identify strengths and failings in the current performance measurement system and then propose a workshop to develop, revise and re-focus the set of performance measures;
- Kaplan and Norton’s (1993), approach for the development of the balanced scorecard was based around using interviews with members of the senior management team to surface differences in strategic priorities before resolving these differences through facilitated workshops; there are number of other similar consultancy processes.
- Eccles and Pyburn (1992) described a facilitated process which makes managers’ thinking explicit through building a performance model linking changes in people’s

knowledge and organizational processes, through performance in the market, to the financial performance of the business. A similar approach is now adopted for the development of the balanced scorecard (Kaplan and Norton, 1996).

- Neely et al. (1996) have developed a management process which is fully described in the workbook getting the Measure of Your Business.

2.5.1.1 Financial and non - financial performance measures

Most economic theories analyzing the choice of performance measures indicate that performance measurement systems should incorporate any financial or non-financial measure that provides incremental information on managerial effort (Felltham and Xie, 1994). Despite these models, firms traditionally have relied almost exclusively on financial measures such as budgets, profits, accounting returns and stock returns for measuring performance (Balkcom et al. 1997). Many firms now believe that the heavy emphasis placed on financial measures is inconsistent with their relative importance.

2.5.1.2 Individual measures of performance

According to Jackson (2000) argument, in measuring individual performance, an important aspect is to use a limited amount of performance measures in order to take appropriate actions. To produce unnecessary data is expensive, and can lead to more harm than good. More measurement will require a greater deal of time for analysis by managers, or, alternatively, it is a waste to collect data if they are ignored. It is therefore important to pay attention to limiting the data requirements to both the necessary detail and frequency, to consider whether the data is needed for a specific useful purpose, and whether the cost of producing it is not higher than expected benefit (Bernalak, 1997).

Tengan (2005), concludes, a large number of performance measures also increase the risk of information overload, meaning that it is practically impossible to distinguish information with high importance from information with less value. Information overload can lead to all information being ignored instead of used. In other words, it is vital that old performance measures, that are no longer of interest, are removed from the performance measurement system.

2.5.1.3 Entity level performance measurement

Performance measurement system as an entity identifies various dimension of a performance measurement system and examines the performance system as a whole. According to Neely et al. (1995), it is possible to build a performance measurement framework around the concepts of results and determinants. Neely et al. (1995), have suggested that the manufacturing task, and hence the key dimensions of manufacturing performance, can be defined in terms of quality, time, price (cost), and flexibility. Other authors take different stances. Fitzgerald et al. (1991) suggest that there are two basic types of performance measures process in any organization – those that relate to results (competitiveness, financial performance) to the planned one and those that focus on the determinants of the results (quality, flexibility, resource utilization and innovation). Concluding, this suggests that it should be possible to build a performance measurement framework around the concepts of results and determinants.

2.5.1.4 Performance measurements to quality

Traditionally quality has been defined in terms of conformance to specification and hence Quality-based measures of performance have focused on issues such as the number of defects produced and the cost of quality. For performance measures relating to quality, the following are identified: Performance, Features, Reliability, Conformance, Technical durability, Serviceability, Aesthetics Cost, Perceived quality.g

2.5.1.5 Performance measurements to time

Time has been described as both a source of competitive advantage and the fundamental measure of manufacturing performance. Under the just-in-time (JIT) manufacturing Philosophy the production or delivery of goods just too early or just too late is seen as waste. Similarly, one of the objectives of optimized production technology (OPT) is the minimization of throughput times. For performance measures relating to time, the following are identified: Manufacturing lead time, Rate of production introduction, Deliver lead time, Due-date performance and Frequency of delivery.

2.5.1.6 Performance measurements to cost

These are a set of metrics to understand factory-related costs that are incurred during productions and expenses that occur apart from the actual manufacturing. Along with costs such as direct material and direct labor, the cost of manufacturing overhead. For performance measures relating to cost, the following are identified: Manufacturing cost, Value added, Selling price, Running cost and Service cost.

2.5.1.7 Performance measurements to flexibility

Slack (1983) identifies range, cost and time as dimensions of flexibility, although he later modifies this model so that it includes only range and response, where range refers to the issue of how far the manufacturing system can change and response focuses on the question of how rapidly and cheaply it can change. Gerwin (1987) observes that very little is known about the implications of flexibility for manufacturing management and suggests that part of the problem arises from the lack of operational measures of flexibility. For performance measures relating to flexibility, the following are identified: Material quality, Output quality, new product, Modify product, Deliverability, Volume, and Resource mix.

2.5.1.8 Criteria for successful performance measurement

In designing a successful performance measure, one should first question what criteria a performance measure should fulfill to be considered as successful. The criteria of a successful performance measure are as follows: when the information from the performance measure is considered as being beneficial to the organization. The term beneficial should in this context be interpreted as a combination of quality and usefulness and when the information from the performance measures is used by the organization.

To collect information that is not used is a waste of resources. This criterion is highly dependent on the information retrieved from the measure going to the right person at the right time. In other words, it is suggested that the success and importance of a performance measure increases with increased information benefit and increased information usage (Tangen, 2005).

2.6 Incentives and motivations

2.6.1 The concept of incentives and motivations

The major element of financial result control system deals with the provision of organizational rewards. According to Steven Kerr, (2003) cited in Kenneth et al. (2008), performance should be clear and unambiguousness of what needs to be done and incentives follows performance. Although there are potentially a very large number of incentives that could be utilized a useful distinction is between the material and the non-material.

Additionally, material (tangible) incentives could be broken down further into monetary and non-monetary. Thus, three incentives types are identified: monetary i.e., cash, non-monetary tangible and non-monetary intangible. None of the studies identified used incentive nonmonetary intangible, though this could not have known before the meta-analytic review of studies began (Steven J. Condly et al., 2003). People either work as individuals, (or) as part of units. Various incentive programs target either the individual (or) the group. Presumably, individuals have more control over an outcome when it is more (or) less under their individual may in fact put considerable effort, but still not realize any bonus because of performance lapses on the part of team members.

Therefore, incentives targeted to individual employees would be more powerful than team incentives (Condly et al., 2003). Reward and compensation control intend to motivate and increase the performance of individuals and groups within organizations by attaching rewards to the achievement of goals. It has been argued that reward and compensation control are of help in controlling employees effort direction (the tasks individuals focus on) effort duration (how long individuals devote themselves to the task) and effort intensity (the amount of attention individuals devote to the task) (Bonner & Sprinke, 2002 cited in Condly et al., 2003).

2.6.2 Nature of incentives and motivations

2.6.2.1 Intrinsic motivation

There are two types of motivation present in the workplace: intrinsic and extrinsic (Adams, 2007). This means that job-related variables affecting motivation have intrinsic and extrinsic motivational value that drives employees to perform. Given that most employees are intrinsically

and extrinsically motivated simultaneously, hence a conclusion can be made that intrinsic and extrinsic motivations are not mutually exclusive. Intrinsic stems from the word “internal” which implies that motivation comes from within the individual, in other words, this type of motivation is self-generated. When intrinsically motivated, the individual will strive to satisfy the three innate psychological needs, namely needs for autonomy, competence, and relatedness (Deci Ryan, 2000). Such employees like to have substantial freedom to make decisions, a channel to express creativity, opportunities for advancement, recognition for good work, be treated in a polite and thoughtful manner, and possess the passion to take on tasks that are both challenging and meaningful of which feel an inherent sense of accomplishment upon successful completion. For instance, an employee who has encountered an intriguingly difficult problem is unlikely to surrender just because the problem appears to be unsolvable. Instead, the employee will put forth his/her best efforts, say by investing more time or taking the task home, as he/she views the problem as challenging and worthwhile to complete (Deci Ryan, 2000).

2.6.2.2 Extrinsic motivation

Extrinsic motivation refers to motivation that comes from outside an individual in exchange for external rewards not derived from the work itself. Extrinsic motivation takes place in the form of tangible monetary or non-monetary incentives such as pay rise, gift certificates, stock options, vacation trips, wall plaques, company banquets, movie tickets etc. For instance, an employee may work doubly hard to finish a project before the scheduled deadline because of the tangible reward that accompanies for working efficiently. The extrinsic rewards can act as positive reinforces and have found to be an effective tool for short-term gains (Adams, 2007) i.e. meeting immediate goals, it may have long-term adverse impacts on employees’ behavior. Considerable research results indicate that employees who do not expect to receive extrinsic rewards outperform those who expect reward (Kohn, 1993). However, extrinsic rewards can still be useful if administered under the right circumstances, such as the absence or low levels of intrinsic motivation or when the job is unchallenging and mundane.

2.6.2.3 Types of extrinsic incentives

Monetary incentives

Attractive remuneration packages are offered to entice best talents to a position, ensuring they perform at maximum efficacy, and retain talented employees within the organization while commission-based remuneration are extended to encourage employees to meet organizational targets. Today, organizations provide monetary incentives in two ways, namely, direct monetary compensation and indirect monetary compensation. Two of the most commonly acknowledged direct monetary compensations are salary and commission (Jeffrey and Shaffer, 2007).

Indirect monetary compensation or otherwise simply known as employee benefits may include reimbursement for education, childcare benefits, insurance and paid leave. Certainly salary is important as it not only satisfies every human basic physiological need but also it is quite often used as a basis for comparison against similar positions in other organizations. However, in order to evaluate the overall attractiveness of an organization's total remuneration package, one must also examine other forms of indirect compensation such as profit-sharing, Employee Stock Ownership Plan (ESOP) and the like. Most of the indirect form of compensation are used to address the second level needs of employees i.e. need for safety (Jeffrey and Shaffer, 2007).

Profit-sharing plan is an incentive-based remuneration that recognizes employees' effort and positive contribution towards the organization's success by disbursing a percentage (approximately 15-20%) of the organization's profit to eligible employees. Employee Stock Ownership Plan (ESOP), like profit-sharing plan, has been a growing worldwide phenomenon in the recent years. This scheme enables employees to have a share of ownership of the organization they work for. The underlying objectives of an ESOP are to attract, retain, motivate, and reward employees (Hewitt Associates, 2006). Common stocks are usually acquired through the ESOP distribution where stocks are allocated to each individual employee's account or purchased directly from the organization and dividends are paid contingent on the value of the stock. In both cases, the employees' performance is directly linked to the rewards. As a result, employees are inclined to commit to goals, work hard and help make the organization successful (Hewitt Associates 2006).

According to Hewitt Associates (2006), In addition to base pay, nowadays more and more organizations are turning to variable incentives to align employees' behavior with organization goals. The four commonly adopted types of variable incentives are: membership/seniority-based rewards, job status-based rewards, competency-based rewards and performance-based rewards. Shane et al. (2001), presents about, seniority-based rewards, which tend to be based on age, and may do not truly motivate job performance while rewards based on job, competency and performance ensure that employees are paid based on their value and contribution. When salary is contingent on the efforts of an employee, very likely the employee will enhance his/her competitiveness and performance in the workplace (Shane et al. 2001). Monetary incentives provide the flexibility for the recipient to spend the money however he/she wants and it may be useful when employees can expect the same kind of reward the following year if they put in the same amount of hard work as before (Shane et al. 2001). Employees, whose efforts relate closely to key performance results, such as executives, production and sales workers, may benefit the most from monetary incentives. Nevertheless, organizations cannot rely solely on monetary incentives to motivate the diverse workforce due to the limitations it brings. Firstly, according to Herzberg's theory, money can prevent employee dissatisfaction but does not necessarily motivate. Secondly, while employees see bonus payments in a positive light, there are, however, negative impacts on motivation if the incentive plan is not carefully designed (Shane et al. 2001).

(a) Tangible Non- Monetary Incentives

In today's workplace, the use of tangible non-monetary incentives to motivate employees and boost performance is ever increasing. The 2005 Incentive Federation Study of the top 5 most frequently used tangible non-monetary incentives are gift certificates, plaques/trophies, apparels, cameras and watches. Tangible non-monetary incentives are as important as monetary incentives. When carefully designed and implemented, these incentives pegged to performance can be a very effective tool for motivation and to increase productivity. Since tangible non-monetary incentives are often less expensive easily administered and more personal, it can be used to consistently reward employee's excellent performance (Incentive Federation, 2005).

Jeffrey and Shaffer (2007) identified four psychological processes that influence how employees perceive tangible non-monetary incentives. The four processes can be split into two categories: first, perceived value of the reward that includes evaluability and separability, and second, value

of earning the reward that includes justifiability and social reinforcement. According to expectancy theory of motivation, an employee's decision to exert effort on a task is positively related to the value of earning the incentive. If the tangible non-monetary incentives offered are valued by the employees, where the expectancy and value of earning the incentive is high, then very likely they will be motivated to achieve the results.

Tangible non-monetary incentives are said to be more valuable than monetary incentives. This means that the perceived value of a tangible non-monetary incentive increases when the incentive appears to be attractive or is able to ignite pleasurable affections from within the employee. Moreover, since it is difficult to ascribe an actual monetary value to non-monetary incentives like award plaques or paid-up vacation trips, therefore the emotional feeling attached to the item becomes a substitute for the "predicted consumption utility" of the incentive (Scott & Shaffer, 2007).

According to Scott & Shaffer (2007), tangible non-monetary incentives are typically viewed upon as luxury items especially if the purchase cannot be justified had the employee bought it. For example, lower income strata families may not have expendable income to enjoy pleasurable activities with their family. Offering tangible non-monetary incentives such as a night at a movie theatre or a family dinner at a nice restaurant may be valuable to them. Hence through hard work is the most attractive way to acquire something which would be unjustifiable otherwise (Scott & Shaffer, 2007).

(b) Intangible Non-Monetary Incentive

Intangible non-monetary incentives are the third cluster of rewards that completes an organization's total rewards system. Incentives that fall under this category are either social related or job-related. First of all, employee recognition is defined as a channel through which employer's use to express gratitude to employees for their good work attitude, efforts, contributions, or outstanding performance. There are many permutations and combinations to recognize employees, such as formally or informally, publicly or privately, and written or verbal or nonverbal (Hewitt Associates, 2006). Motivating employees through recognition involves little to no cost for the organization and sometimes it is offered along with tangible incentives. There is a subtle difference between recognition, feedback, and social greetings but for this

paper, these incentives will be termed as ‘social rewards’ All employees want to be acknowledged for a job well done, whether it is from one’s superiors, peers, family or friends. When their efforts go unappreciated or unnoticed, they start to develop a feeling of resentment against the organization. A simple thank- you note, a smile, a friendly greeting, a pat on the back, a nod of the head, and a warm hand shake are all simple gestures needed to make employees feel cared-for by the organization. In addition, if the recognizer is someone respectable or with superior status, it will have considerable positive impact on the employee.

Showing appreciation to employees often goes beyond friendly social gestures. Employees want to feel appreciated and valued by the organization. This is where recognition comes in. Employees whose efforts are recognized feel good about themselves and hence a strong mental link between their actions and the positive emotional reward is formed (Jeffrey and Shaffer, 2007).

Consistent with reinforcement theory, through such positive reinforcement, the likelihood of the behavior to be repeated will increase. Praise and recognition boost employees’ morale as it allows employees to think better of themselves and their ability to contribute to organization goals. Employees with high self-esteem are more intrinsically motivated, optimistic, willing to work harder, participative at work, work efficiently, have lower absenteeism rate and are generally more satisfied with their jobs (Scott & Shaffer 2007).

2.7 Review of empirical literature

2.7.1 Research findings on performance measurement alternatives

According to the Chartered Institute of Management Accountants’ research report (1993) there does not appear to be an optimal mix of specific financial and non-financial indicators applicable to all manufacturers. Rather, each company must find a balance of measure which it views as sufficiently adding to the management of its operational level. According to survey conducted by Schliemann and Lingle (2005), on 203 executives in 1996 regarding the quality, uses and perceived importance of various financial and non-financial performance measures (Schiemann and Lingle, 2005). While 82 percent of the respondents valued financial information highly, more than 90 percent clearly defined financial measures in each performance area, included these measures in regular management reviews, and linked compensation to financial performance. In

contrast, 85 percent valued customer information highly, but only 76 percent included satisfaction measures in management reviews, just 48 percent clearly defined customer satisfaction for each performance area or used these measure for driving organizational change, and only 37 percent linked compensation to customer satisfaction. Similar disparities exist for measures of operating efficiency, employee performance, community and environment, and innovation and change. More importantly, most executives had little confidence in any of their measures, with only 61 percent willing to bet their jobs on the quality of their financial performance information and only 41 percent on the quality of operating efficiency indicators, the highest rated non-financial measure.

According to a survey carried out on a sample of Canadian manufacturing firms by Gasoline (2005), in the questionnaire, organizations had to indicate the extent to which they use 73 performance measures. They also respond to questions about determinants such as strategy, organizational structure and environmental uncertainty. More than 100 organizations responded to the survey. The response rate was 50.5%. The result shows that manufacturing firms continue to use financial performance measures. Despite the recommendation from experts and academics, the proportion of firms that implement a balanced scorecard or integrated performance measurement system was low. Furthermore, organizations that use these approaches are not employing more extensively non-financial measure than those which are applying traditional performance measurement approach.

2.7.2 Research findings on incentives and motivation

According to research findings done by Condly et al. (2003), of all adequately designed field and laboratory research on the use of incentives to motivate performance on approximately 600 studies, 45 were qualified. The overall average effect of all incentive programs in all working settings and on all work task was a 22% gain in performance. This effect was not influenced by locating of the study (business, government or school) the competitive structure of the incentive system (programs where only the highest performers get incentives versus programs where everyone who increased performance receivers incentives. In these studies, money was found to result in higher performance gains then nonmonetary, tangible incentives. Condly et al. (2003) also discovered that long - term incentives generate higher performance out comes than short-term incentives programs. Contrary to the believes that extrinsic reward hinder intrinsic

motivation, the study found that employees who are rewarded for exceeding targets are inclined to invest more time and efforts on tasks that leads to satisfaction.

2.7.3 Conclusion on the research gaps

According to Whittington and Mayer (2000, p. 23) ‘the social sciences made America the universal pattern’. Most of the literature on strategic planning, performance measurement and evaluation, incentive, rewards and motivation comes from Western countries and the United States in particular. The resulting frameworks may not necessarily be applicable to developing countries like Ethiopia (Haines, 1988), leading to questions about the suitability and efficacy of North American management paradigms and practices for developing countries (Gelfand et al., 2007). Consequently, scholars have been advised to research indigenous management practices (Tung and Aycan, 2008; Scott-Jackson, 2008). This reflects ‘the overwhelming geographical biases of synthetic reviews of the field of strategic management (Pettigrew et al., 2002, p. 8). Hence it is important to examine how closely the results of research conducted in the USA apply to strategic planning in other parts of the world (Kotha and Nair, 1995). While much is known of the practices of management in Western countries, comparatively little is known about their equivalent in other developing countries (Parnell and Hatem, 1999). This is the driving force for conducting this research, which aims to enhance and evaluate the management control system with regard to strategic planning, Performance measurement and evaluation, incentive and reward as a case study of Harar Brewery SC and to set the grounds for the development of future research in country.

CHAPTER THREE

Research Design and Methodology

3.1. Introduction

To evaluate the management control system of Harar brewery SC, the study would be used mixed method approach. Specifically, data would be gathered through quantitative survey and qualitative interview with the employees of the company.

3.2. Research design

This research is a qualitative type case-based descriptive study aims to evaluate Management Control System of Harar Brewery Share Company.

A case study is an in depth study of a particular situation or phenomenon in a real world life rather than a sweeping statistical survey. Case study makes analytical generalization in which concepts and implications are developed to contribute to rich insights. And thus, the results of a case study of some organization and context can be extended and applied to other similar organizations and contexts. Case study method is the most widely used qualitative research method for researches in information systems.

According to Creswell (2009) qualitative research is a means for exploring and understanding the meaning of phenomenon from the view of participants. Also Dawson (2002) explained that qualitative research approach enables inquirer to inductively develop a theory or meaning of phenomenon being studied. In other case, qualitative research is not intended to test a predetermined theory or hypothesis; instead, it is descriptive in nature and through induction it builds meanings, theories or hypotheses (Greener, 2008). However, this approach has been given less than a fair sense of appreciation. It has been criticized for lack of scientific rigor, small samples, subjective and non-replicable efforts. The researcher's interference in the research process is very high that results bias due to small sample size and uniqueness of the research setting. It is also very difficult to make generalization to the whole population.

In addition, Louis (2000) stated that Qualitative research tries to assess experiences and events contextually and within their natural setting and attempts to analyze them holistically. This implies that qualitative research examines events or circumstances without much disruption in their natural environment and it focuses on understanding a phenomenon in its entirety instead of detaching a constituent and assessing it separately from its whole part. This shows that qualitative research is concerned with, among others, developing a comprehensive understanding of a phenomenon under investigation.

The second approach, quantitative research, generates statistical data through the use of large scale survey research, using methods such as close-ended questionnaires and/or structured interviews (Dawson, 2002). Creswell (2009) noted that quantitative approach employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield numeric data that can be analyzed using statistical procedures. It is a means for testing objective theories through examining the relationship among variables. It is advantageous as it, procedurally, follow scientific approach, tests reliability and validity of the instrument. It minimizes bias from the researcher's influence and employs large sample size. Hence, the results can be believed on and the results can be generalized to larger population. However, it is not capable to address issues which cannot be quantified. So that, it may has limited scope.

Finally, mixed methods approach is the blend of both qualitative and quantitative approaches. It employs strategies of inquiry that involves collecting data either simultaneously or sequentially to best understand the research problem. The data collection involves gathering both numeric information and text information (Creswell 2009). Mixed approach includes the use of theory deductively in theory testing and verification, or inductively in an emerging theory or pattern (Creswell, 2007). Therefore, the combination provides an expanded understanding of the research problems. It utilizes the strengths and overcomes the weaknesses of the two continuum approaches. However, incorporating both designs requires a great level of effort from the researcher such as need for extensive data collection. Mixed approach characterized by its time-intensive nature of analyzing both numeric and text data. Hence, in order to achieve the main and specific research objectives a qualitative approach was adopted in collecting and analyzing data as discussed in the following section.

3.3. Study population and sampling techniques

Harar brewery Share Company was selected as a case for this study. This company was selected due to the reason that it is one of brewery companies which is applying management control system. Hence, the management control system and business experiences and services of Harar breweries Share Company are multi-functional which can be shared by different brewery industries in Ethiopia. So, it is found appropriate and suitable to conduct the case study at this company.

Sampling is the process of selecting units or individuals from a population which can be included in the study, for instance, to answer interview questions or respond to survey questionnaires. There are two main types of sampling procedures: probability sampling and non-probability sampling. Probability sampling involves selecting elements randomly in that the selection of any one element is independent of the selection of the other elements. Unlike the case of probability sampling, in non-probability sampling the probability that an elementary unit in the population will be included in the sample is unknown. It is not predetermined. Instead of objective approach the researcher follow subjective approaches. Individual elementary units are selected based not on chance but on personal intuition feeling, judgment, etc. Choosing the type of sampling technique depends upon the area of research, research methodology, and preference of the researcher (Dawson 2002).

For this research, purposive sampling technique is used as this is a more of qualitative case study. Purposive sampling is a non-probability sampling approach that conforms to certain criteria. According to Albright (1998), case study almost always uses purposive sampling. The objective of a case study is not to find out how often something occurs in a population, instead what occurred and why it occurred. In case study, the sample units must have the potential and richness in information to be key informants for the study.

According to this technique, the total sample size taken subjectively for the survey was 30 from the total population of 154 employees. The 30 sample units have selected based on the richness in information and the potential on the issue raised on the tools of the management control system under the case study: among which 7 of them were at top management level and 15 of them are middle level managers while the remaining 8 of the employees were from the

management teams. Besides ten managers were purposefully identified and selected for the survey and interview questions. In addition different questions were given to employees from different departments (Marketing Sales, Finance, Production, Planning and Control, and Human Resource) in order to survey regarding management controlling system. These individuals were selected as key informants and respondents based on their involvement, exposure and role in the management controlling system.

3.4. Source of Data

The sources of information in the field of social science are classified into Primary sources and secondary sources of information. Primary sources of information include the actual information received from individuals directly concerning the problem of the study. It also includes observed social phenomenon and facts that may be discovered. Secondary sources include all types of published and unpublished, public or private documents and other such types of information.

The appropriate tools used in collecting data for the case study are interviews, documentation, archival records, direct observation, participant observation and survey questionnaire. Case study mostly uses qualitative data collection methods with interviews, observations, and document analysis. However, quantitative methods (surveys) can also be used in a case study Albright (1998). Qualitative methods are concerned with words and meanings whereas quantitative methods are concerned with numbers and measurements. Hence, various data collection techniques and tools are used for case study research. So the primary data collection techniques and tools used for this research are surveys, interviews, and observation whereas the secondary data collection techniques and tools used for this research are reviews of the company's periodic reports, Various documents, financial statements and Company's policies.

3.5. Data collection techniques and tools

The main data collection techniques used for this research are survey questionnaire and interviews by triangulate the results of survey questionnaire and interviews.

3.5.1. Survey questionnaire

Survey questionnaire is used as the main data collection techniques of primary data along with interviews in this investigative study. Different questions were developed for top management and middle-management level employees to reach their respective insights. Survey respondents

were purposefully selected as explained in the previous sections still with their role and exposure to the MCS.

There were both open ended and closed ended questions on the survey. On open ended questions, the respondent is asked to provide his own answer to the question while on closed ended questions, the respondent is asked to select his answer from among a list provided by the researcher. Closed ended questions are very popular in survey research since they provide a great uniformity response and because they are easy to process. Structured survey questionnaires and semi-structured interviews are often used in studies to generate confirmatory results with interviews being in depth examining while surveys being confirmatory.

3.5.2. Interviews

Interviews are also used as the main data collection techniques of primary data along with survey questionnaire in which interview questions that address the specific objectives of this study and which can be used to gain detail information were developed and prepared based on the purpose of the research.

Ten key informants who are at management level and appropriate for this study were selected and listed based on their direct role in the application of management controlling system in the company.

Interviews can be structured and unstructured. Structural interview involves the use of a set of predetermined questions and has highly standardized technique of recording. It is not possible for interviewer to change even the sequences of the questions. The recording formats also are standardized. Unstructured interview is characterized by a flexibility of questions to questioning. It does not follow a system of pre-determined question and standardize techniques of recording information. The researcher is allowed much greater freedom to, if it is needed, supplementary questions or at times he may omit certain questions. Interviewer can change the sequences of question and he has also freedom in recording the response to include some aspects and exclude the other. Unstructured interview is much more difficult and time consuming than that of the structured one.

Hence, the researcher has developed about five semi-structured interview questions for HR and four semi-structured interview questions for planning department to gather primary data with regards to the research objectives.

3.6. Method of data analysis

Since this study is descriptive type of research, the collected data were analyzed by using frequency and percentage of the respondents. To show and rank the respondent's responses tables are used. In this study the data was analyzed by categorizing and comparing the results continuously until a convergence level. The concept of inductive reasoning and grounded theory is adopted here for this analysis. Unlike the deductive reasoning which is top-down or general-to-specific, inductive reasoning starts with specific observations in the data to find patterns and regularities and finally ends with developing general conclusions or theories. Grounded theory is an inductive reasoning approach to data analysis which starts by understanding the situation and context to discover a theory which grounded or implicit in the data itself. The grounded theory approach gives priority to the data and the context under study.

Data triangulation is the other technique that was used for data analysis in this research. Triangulation is using evidence from different sources to validate and confirm the same finding. For this study, triangulation is used to compare results of the interviews, questionnaire and observations. One of the strengths of case studies compared to other methods is that evidence data can be collected from multiple sources (Jennifer Rowley, 2002). As Greener (2008) stated that in most types of research studies, the process of data analysis involves the following three steps: first preparing the data for analysis, then analyzing the data and finally, interpreting the data.

Based on these steps, content analysis of data involved presenting data or respondent's responses in table form or graph form then data was analyzed using frequency percentage and the information from secondary data supports the analyses. Then the data from open-ended questions were analyzed. Finally, the analyzed data were interpreted into results. Lastly, the results obtained from the analysis were presented as a finding in chapter five of this paper.

CHAPTER FOUR

Data analysis and discussion of results

4.1 Strategy planning process of the company

The strategic plan of Harar brewery SC has started initially from the parent company (Heineken international in Amsterdam). Every year the global Heineken international top management team will set a target in sales volume, gross revenue, net revenue, earnings before interest and tax (EBIT) for the coming three years for all subsidiary operating company under the umbrella of Heineken International. Since Harar brewery SC is a subsidiary company of Heineken International, the strategic planning process starts after getting the projected target by the parent company before the end of the 3rd quarter of the current year.

The Chief executive officer of Harar brewery SC will communicate the projected target to the respective strategic planning team. The team comprises functional department heads from each section, Strategic controller, and Planning and controlling manager. The strategic planning team will meet together to convert the projected three year target into a three year strategic plan and a three year comparative annual plan. And then each functional department head will take responsibilities which are belonging to him and present it with a numerical value. After finalizing the three year strategic plan and present it in a comparative way for the coming three years, they will set a projected annual plan based on the strategic plan. After finalizing the preparation of the strategic and annual plan, the strategic plan team, will check the actual performance with the projected plan on a monthly basis with a report called business performance report. This report will help the team to see the variance of the actual performance with the plan and take the required feedback. The strategic plan with the comparative annual plan document of the company will be approved by the Heineken global top management team. So that the top management team of Harar brewery SC will present to the respective top management team about the strategic plan and annual plan and should convince the global top management team. After getting approval from the global management team, the strategic plan and annual plan document is used for its operation. Harar brewery SC will review the annual plan every year before the end of the 1st quarter and the strategic plan should be reviewed every

year before the end of the 3rd year. If there is a material deviation with the projection in the strategic plan and annual plan, the strategic planning team will meet together and will readjust the latest estimate. Beside this, on a quarterly basis the actual result will be compared to the budgeted result and the variance analysis will be made with the necessary latest estimation will be made.

4.1.1 Strategy Vs change in the environment

Interviews held with strategic controller of Harar brewery SC claimed that, the business level strategy has been changing due to the change in internal and external environment. The company has been operating in a dynamic business environment; the internal and external business environment will be changed by the change in the micro and macro-economic factors. The company should clearly observe the threats and the opportunities in the external environment and align with the strength and the weakness of in the internal company's environment. There is two factors which drive this issue, which are Push factor and Pull factor. Push factor is about the volume by letting engage the customer to increase the sells volume of Harar products. Pull factor is about creating the consumer demand through marketing and trade marketing. By considering this variables the strategy will be amended used depended on the situation. There is also other variable which will make strategy change e.g. if the actual sells volume is less than annual plan the sales team will make research which might be one time or consistence to understand how is the current market is doing or driving. Then based on the research feedback, new strategy will be formulated and implemented as planed and will be executed. Through this process when there is a change in the business environment, the strategy which copes up the new emerged environment by aligning the new strategy with stakeholder departments. The time pattern of reviewing its objectives and strategies is clearly stated.

4.2. Performance measurement and evaluation, incentives, reward and motivation of the company

The Performance measurement and evaluation, incentive, reward and motivation of the company is coincide with the strategic and annual plan. Each functional department will get the short term incentive plan which is derived from the strategic and annual plan. The short term incentive plan will be prepared by referring the projected targets in the strategic and the annual plan of the

company document such as projected annual sales volume, projected EBIT, and other functional objectives. The short term incentive plan will be used as a tool for incentive, reward and motivation. Each functional; department will cascade the annual plan in the form of short term incentive to the employees in the section. Each employee’s short term incentive plan will be communicated to the respective employees with his direct manager and they will discuss and agree on it. The company performance evaluation will be made twice in a year that is in the middle of the year and by the end of the year.

4.3 Survey results

As indicated in chapter 3, the total sample size taken for the survey was 30, among which 7 of them were at top management level and 15 of them are middle level managers while the remaining 8 of the employees were from the management teams.

Table 4.1: Strategic planning formation process: initiating and agreeing on a strategic planning process

	Variables	Frequency	Percent
An agreement was reached among main stakeholders about the purpose of strategic planning before starting the process of strategic planning	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
An agreement was reached among the main stakeholders about who should be involved in the process of strategic planning?	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
The steps of the strategic planning formation process were agreed on and documented before starting the process	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

As presented in table 4.1, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of them strongly agree on the initiating and agreeing on a strategic planning formation process with an agreement was reached among the main stakeholders about the purpose and the participants of strategic planning before starting the process of strategic planning, and the steps of the strategic planning formation process were agreed on and documented before starting the process.

Table 4.2: Organizational mandate

	Variables	Frequency	Percent
In your company, the interpretation of what is required /forbidden by the mandate is clear	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
	The Company's formal and informal mandates were clearly communicated among the participants in the strategic planning process	Strongly Agree.	9
Agree			
Neither Agree nor Disagree			
Disagree			
Strongly Disagree			
Total		9	100%

Source: Own Survey Data, 2017

As presented in table 4.2, among the nine respondents who responded to the survey questionnaire, 9 (100 %) of them strongly agree on the interpretation of what is required or forbidden by the company mandate is clearly stated and the company's formal and informal mandates were clearly communicated among the participants involved in the strategic planning process.

Table 4.3: Vision statement

	Variables	Frequency	Percent
A vision statement was developed for the company's level you were involved in:	Yes	9	100%
	No		
	Total	9	100%
The vision statement clarifies organizational visionary goals and the organization's position in the future	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
The vision statement is widely circulated and communicated among internal organization's members and External stakeholders	Strongly Agree.		
	Agree		
	Neither Agree nor Disagree		
	Disagree	9	100%
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

As presented in table 4.3, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of them strongly agree on the organizational visionary goals and the positions clearly stated in the Vision statement. 9 (100 %) of the respondents strongly agree on the development of the company vision statement but all of them Strongly Disagree on the circulation of the vision statement and communicated among the internal organization members and external stakeholders.

Table 4.4: Mission statement

	Variables	Frequency	Percent
A mission statement was developed for the organizational level you were involved in:	Yes	9	100%
	No		
	Total	9	100%
The developed mission statement: · Clarifies the purpose of existence · Clarifies the optimum goals · Provides a framework by which strategies are formulated	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
The mission statement is widely circulated and communicated among: · Internal organization's members · External stakeholders	Strongly Agree.		
	Agree		
	Neither Agree nor Disagree		
	Disagree	9	100%
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

As presented in table 4.4, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents strongly agree on the development of the company mission statement and they also strongly agree on the developed mission statement clarifies the purpose of existence, the optimum goals and provides a framework by which strategies are formulated. But all of them strongly disagree on the circulation of the mission statement and communicated among the internal organization members and external stakeholders. This indicate that the company fail in circulating and communicating the company's vision and mission statement. This leads the company to face a challenge in implementing the company's strategic and annual plan since both strategic and annual plan under the framework of the vision and mission statement.

Table 4.5: Assessing the environment & strategic issues

	Variables	Frequency	Percent
A comprehensive strategic analysis was conducted as part of the strategic planning process (Strategic analysis: an examination of the possible or probable effects the internal organizational' and/or external 'environmental' forces and conditions have on the organization's success)	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
	Strategic issues facing your organization, division, or department have been clearly identified	Strongly Agree.	9
Agree			
Neither Agree nor Disagree			
Disagree			
Strongly Disagree			
Total		9	100%
The strategic issues were used to formulate the strategies and plans	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

In assessing the Environment & Strategic Issues, all of the respondents (100%) strongly agree on the a comprehensive strategic analysis was conducted as part of the strategic planning process, Strategic issues facing your organization, division, or department have been clearly identified and used to formulate the strategies and plans.

Table 4.6:Strategies and plans development

	Variables	Frequency	Percent
Strategies and plans were developed for the organizational level you were involved in	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total		9
A strategy map was developed for the organizational level you were involved in (a strategy map is a visual, single-page representation of the four components of an organization’s strategy, the relationships between an organization’s financial, customer, internal process, and learning and growth perspectives (Kaplan, 2004))	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total		9
During the strategic planning formation process, it was decided what current strategies should be kept, improved, or revised	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total		9
During the strategic planning formation process, it was decided what new strategies and plans should be initiated, when, why, and by whom	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total		9
The developed strategies and plans were implemented successfully	Strongly Agree.		
	Agree	9	100%
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total		9

Source: Own Survey Data, 2017

In evaluating the company's Strategies and Plans Development, all of the respondents (100%) strongly agree on the development of Strategies and plans in the company on a consistence basis, the strategic planning formation process will be kept, reviewed with the current situations, improved and revised with the latest estimations, it was decided what current strategies should be kept, improved, or revised and they strategic planning team will implement the new strategic and annual plan based on a new latest estimation.

Table 4.7:Monitoring & evaluation

	Variables	Frequency	Percent
The execution of the strategies and plans are monitored on:	Monthly	9	100%
	Quarterly		
	Yearly		
	Less Frequently		
	Never		
	Total	9	100%
The outcomes of the strategies and plans have been evaluated	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Some of the strategies, systems, policies, and goals were revised as a result of the evaluation process	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

As presented in table 4.7, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents strongly agree on the monitoring and evaluation of the company's on the execution of the strategies and plans are monitored on, the outcomes of the strategies and plans have been evaluated and some of the strategies, systems, policies, and goals were revised as a result of the evaluation process.

Table 4.8.1: Barriers & obstacles to the strategic planning formation process: internal Factors

	Variables	Frequency	Percent
Organizational culture	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Organizational structure	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Organization's mandate	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Strategic planning procedures	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Weak strategic thinking	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%

In evaluating the internal factors on the barriers & obstacles to the Strategic Planning Formation Process, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents are Strongly Disagree on Organizational culture, Organizational structure, Organization's mandate, Strategic planning procedures, and Weak strategic thinking are not the internal factors on the barriers & obstacles to the strategic planning formation process.

Table 4.8.2: Barriers & obstacles to the strategic planning formation process: internal factors

	Variables	Frequency	Percent
Leadership commitment to strategic planning	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Organizational internal processes/regulations	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Planners' expertise	Strongly Agree.		
	Agree	9	100%
	Disagree		
	Strongly Disagree		
	Total	9	100%
Employees resistance to change	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Weak IT infrastructure	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%

Source: Own Survey Data, 2017

In evaluating the internal factors on the barriers & obstacles to the strategic planning formation process, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents are strongly disagree on leadership commitment to strategic planning, organizational internal processes/regulations, Employees resistance to change, Weak IT infrastructure, are not the internal factors on the barriers & obstacles to the strategic planning

formation process. But 9 (100 %) of the respondents are agree on Planners' expertise as internal factors on the barriers & obstacles to the strategic planning formation process.

Table 4.9.1: Barriers & obstacles to the strategic planning formation process: external factors

	Variables	Frequency	Percent
Political influences	Strongly Agree.		
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
	Macro economy	Strongly Agree.	9
Agree			
Neither Agree nor Disagree			
Disagree			
Strongly Disagree			
Total		9	100%
Political instability	Strongly Agree.	9	100%
	Agree		
	Neither Agree nor Disagree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Turbulent environment	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

In evaluating the external factors on the barriers & obstacles to the Strategic Planning Formation Process, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents are Strongly Disagree on Political influences, but all the respondents (100%) are Strongly agree on macro economy, Political instability, and Turbulent environment, are the external factors on the barriers & obstacles to the strategic planning formation process.

Table 4.9.2: Barriers & obstacles to the strategic planning formation process: external factors

	Variables	Frequency	Percent
Rapid technology development	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Linkage to country's strategic plan	Strongly Agree.		
	Agree		
	Disagree		
	Strongly Disagree	9	100%
	Total	9	100%
Unavailability of macro information	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Ambiguity of external stakeholders' expectations	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Variety of external stakeholders	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

In evaluating the external factors on the barriers & obstacles to the Strategic Planning Formation Process, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents are Strongly Disagree on Rapid technology development, Linkage to country's strategic plan, but all the respondents (100%) are Strongly agree on Variety of external stakeholders, Ambiguity of external stakeholders' expectations, and Unavailability of macro

information, are the external factors on the barriers & obstacles to the strategic planning formation process.

Table 4.10.1: Strategic plan document

	Variables	Frequency	Percent
A 'strategic plan document' was formulated at the organizational level you were involved in?	Yes	9	100%
	No		
	Total	9	100%
Formality: the strategic plan in my organization is formally documented (including all parts of a strategic plan document)	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Clarity: the strategic objectives and strategies in the strategic plan are clearly stated	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Measurability: the strategic objectives are measurable and can be monitored and evaluated	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

Source: Own Survey Data, 2017

As presented in table 4.10.1, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents strongly agree on the formulation and formality, clarity and measurability of the strategic plan document at the company level.

Table 4.10.2: Strategic plan document

	Variables	Frequency	Percent
Objectivity: the desired outcomes are clearly stated and understood in the strategic plan.	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Coverage: the strategic objectives in the strategic plan cover all the critical factors identified in the analysis phase	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Openness: the strategies in your organizational strategic plan are openly disseminated and not hidden.	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%
Consistency vs flexibility: in your organization, strategic consistency is more important than strategic flexibility	Strongly Agree.	9	100%
	Agree		
	Disagree		
	Strongly Disagree		
	Total	9	100%

As presented in table 4.10.2, among the nine respondents who responded for the survey questionnaire, 9 (100 %) of the respondents strongly agree on the formulation and Objectivity, Coverage Consistency vs. flexibility of the strategic plan document at the company level. But 9 (100 %) of the respondents strongly disagree on the openly disseminated and not hidden of the strategic plan document at the company level.

4.4 Performance Measurement and Evaluation

4.4.1 Entity Level Performance Measurement

To analyze the performance measures currently being monitored by Harar Brewery SC, the appropriate way selected is identifying the mix of financial and non-financial measures from performance measurement literature (Anthony and Govindrajana 2000, neely, 1995).

This section merely deals with the following basic elements of MCS such as; Accounting and Finance, Production, Marketing and Sales, Human Resource (compensation and benefit) practice of Harar Brewery SC. In line with that three major departments that have exposure to those measures; production, sales and marketing and accounting department were given these measures and asked which measure they are considering for measuring the entity performance.

Accounting department

Table 4.11: Results of financial performance measurement parameters

Item	Variables	Frequency	Percent
Cost of goods sold	Quite Often	1	9.1
	Systematically	10	90.9
	Total	11	100.0
Gross profit margin	Systematically	11	100.0
Total sales to revenues	Quite Often	1	9.1
	Systematically	10	90.9
	Total	11	100.0
Net profit	Systematically	11	100.0
Return on equity (ROE)	Very Seldom	2	18.2
	Quite Often	2	18.2
	Systematically	7	63.6
	Total	11	100.0
Return on investment (ROI)	Very Seldom	2	18.2
	Quite Often	2	18.2
	Systematically	7	63.6
	Total	11	100.0
Customer satisfaction: survey ratings	Not Used	1	9.1
	At Times	1	9.1
	Quite Often	2	18.2
	Systematically	7	63.6
	Total	11	100.0
Return on assets (ROA)	At Times	2	18.2
	Systematically	9	81.8
	Total	11	100.0

Source: Own Survey Data, 2017

As the result showed in Table 4.11, out of 8 financial measures, the company uses all financial measurements. Financial measures identified, gross profit margin and net profit respectively is the major performance measurement component which taken in action monthly basis and 11 respondents has chosen systematically 11(100%). This reveal that Harar Brewery SC is showing its financial statements very reliable way since gross profit margin utilizes two figures easily found on profit and loss statement or balance sheet: revenue and gross profit. Revenue is the top line of a P&L statement and reflects the total income from the sales of goods or services .gross profit means revenue less the cost of goods sold, or COGS. Also 11 respondents has chosen net profit margin systematically 11(100%) which takes into account all business expenses not simply COGS, and there for a more stringent metrics by which to measure profitability. Net profit is the infamous bottom line of P&L statement and reflects the total revenue left over after accounting for all outgoing cash flow and additional incomes streams including COGS.

In addition to the above result shown in Table 4.11, Cost of goods sold is the second major components of financial performance measure. 10 respondents have chosen Cost of goods sold as systematically 10(90.9%). The other financial measures identified are ROA 9(81.8%), ROE 7(63.6%), ROI 7(63.6%), and total sales to revenues 10(90.9%) respectively. This reveal Harar brewery SC is strictly following and evaluating and using the listed financial measurements components to the highest degree.

Most of the respondents also have mentioned there were additional performance measurement that Harar Brewery SC used to assess and evaluate the financial performance of the company which were not listed on the survey and literature review. Like, Sales volume analysis, comparison of Gross revenue with sales volume, earning before tax (EBIT) verses Initial budget and latest estimation are usually used to check performance of the company on monthly basis and sales volume is weekly basis.

In addition to that accounting department uses other performance measurement methods to get the bigger picture of the company by analyzing earning per share (EPS) and industry comparison analysis(market growth, trend analysis, market share).

Production department

Table 4.12: Results of non-financial performance measurement parameters

Items	Variables	Frequency	Percent
Amount of finished goods inventory	Systematically	7	100
Amount of material scrap produced	Systematically	7	100
Amount of raw materials inventory	Systematically	7	100
Amount of work in process inventory	Systematically	7	100
Cost per unit produced	Systematically	7	100
Number and length of down time	Quite Often	2	28.6
	Systematically	5	71.4
	Total	7	100
Number of units of finished goods in the inventory	Systematically	7	100
Number of units produced	Systematically	7	100
Rate of production capacity or resources used	Quite Often	2	28.6
	Systematically	5	71.4
	Total	7	100
Number of machine or plant hours used	Very Seldom	2	28.6
	Systematically	5	71.4
	Total	7	100
Quantity of energy consumed	Quite Often	2	28.6
	Systematically	5	71.4
	Total	7	100
Unit of output per hour of labor used	At Times	1	14.3
	Systematically	6	85.7
	Total	7	100
Production waste	Quite Often	1	14.3
	Systematically	6	85.7
	Total	7	100
Unit of output per unit of raw materials used	Systematically	7	100
Cost per damaged unit produced	Systematically	7	100
Manufacturing lead time	Systematically	7	100
Material quality	Very Seldom	6	85.7
	Systematically	1	14.3
	Total	7	100
Output quality	Quite Often	5	71.4
	Systematically	2	28.6
	Total	7	100
New product development	Quite Often	1	14.3
	Systematically	6	85.7
	Total	7	100

Source: Own Survey Data, 2017

As the result showed on Table 4.12, the company uses all 19 non-financial measurements identified for production department listed on the theoretical framework. Out of 19 non-financial measurement, 10 of them are the major non-financial measurements that the company uses systematically to evaluate the performance of the production department or supply chain department. Non-financial measures identified, amount of finished goods inventory , amount of material scrap produced , amount of raw materials inventory , amount of work in process inventory , cost per unit produced , number of units of finished goods in the inventory , number of units produced , unit of output per unit of raw materials used, cost per damaged unit produced, and manufacturing lead time are major performance measurement component which taken in action monthly basis and 7 respondents have chosen systematically 7(100%).

In addition to that seven of the respondents have chosen Quite Often from non-financial measurement components which are new product development 1(14%), number and length of down time 2(28.6%), output quality 5(71.4%), production waste 1(14.3%), quantity of energy consumed 2(28.6%), Rate of production capacity or resources used 2(28.6%). At Times and Very Seldom also has chosen by the survey respondents material quality 6(85.7%), Number of machine or plant hours used 2(28.6%), unit of output per hour of labor used 1(14.3%).

Harar Brewery SC also uses other different non-financial performance measurements which didn't list on the literature and survey question to assess production department. Some of this non-financial performance measurement tools are obsolete review (risk, exposure) for stock materials, items etc., and operational performance indicators review.

The production senior staffs also made comparisons between actual and standard production costs. Standard cost is a predefined cost by considering different assumptions (e.g. inflation, price change, etc.). The variance analyzed as a price and production variance.

Sales and marketing department

Table 4.13: Results of non-financial performance measurement parameters

Items	Variables	Frequency	Percent
Average sales order	At Times	4	57.1
	Quite Often	1	14.3
	Systematically	2	28.6
	Total	7	100.0
Number of new customer contacts	At Times	4	57.1
	Quite Often	1	14.3
	Systematically	2	28.6
	Total	7	100.0
Number of warranty claims	Systematically	7	100.0
Sales per region	Systematically	7	100.0
Customer loyalty	Systematically	7	100.0
Market shares	Systematically	7	100.0
Deliver lead time	Quite Often	4	57.1
	Systematically	3	42.9
	Total	7	100.0
Number of customer orders completed	Quite Often	4	57.1
	Systematically	3	42.9
	Total	7	100.0
Frequency of delivery	Systematically	7	100.0
Number of customer orders received	Systematically	7	100.0
Total Costs by department	Systematically	7	100.0
Total expenses	Systematically	7	100.0
Total net cash flows	Quite Often	1	14.3
	Systematically	6	85.7
	Total	7	100.0

Source: Own Survey Data, 2017

As the result showed on Table 4.13, the company uses all 13 non-financial measurements identified for sales and marketing department listed on the theoretical framework. Out of 13 non-financial measurement, 8 of them are the major non-financial measurements that the company uses systematically to evaluate the performance of the sales and marketing department. Non-financial measures identified, Customer loyalty 7(100%), Frequency of delivery 7(100%), Market shares 7(100%), Number of customer orders received 7(100%), Number of warranty claims 7(100%), Sales per region 7(100%), Total Costs by department 7 (100%), Total expenses 7 (100%) are major performance measurement component which taken in action monthly basis and 7 respondents have chosen systematically 7(100%).

In addition to Average sales order used at times 4 (57.1%), Deliver lead time used quite often 4 (57.1%), Number of customer orders completed used quite often 4 (57.1%), Number of new customer contacts used at times 4 (57.1%), Total net cash flows quite often 1 (14.3%). This survey reveal marketing and sales measure their performance in the way that they can control the position of the company and the progress they are making so far.

Harar Brewery SC uses other non-financial performance measurement components to evaluate their department progress e.g. functional profit and loss analysis, price analysis, budget comparison the also control customer daily payments through bank reconciliation which will ensure all payments are deposited to our bank account.

A. Tangible monetary incentives

Table 4.14: Tangible monetary incentives

Item	Variables	Frequency	Percent
Basic salary	Yes	5	100
Commission	Yes	5	100
Performance Bonus	Yes	5	100
Insurance for health/disability/life	Yes	5	100
Profit sharing plans	No	5	100
Retirement plans	Yes	5	100
Employee Stock	No	5	100
Ownership Plan	No	5	100
Educational	Yes	5	100
Overtime policy	Yes	5	100
Paid leave	Yes	5	100
Unpaid leave	Yes	3	60
	No	2	40
	Total	5	100
Subsidized utilities	Yes	2	40
	No	3	60
	Total	5	100
Subsidized housing	No	5	100
Travel expenses	Yes	5	100
Child Care	Yes	3	60
	No	2	40
	Total	5	100

Source: Own Survey Data, 2017

As the result showed on Table 4.14, the company uses all 16 tangible monetary incentives that the company provide mostly to employees listed on the theoretical framework. Out of 16 tangible monetary incentives, 12 of them are the major tangible monetary incentives that the company provide mostly to employees. Tangible monetary incentives identified, basic salary 5(100%), Child Care 5(100%),Commission 5(100%), Educational 5(100%), Insurance for health/disability/life 5(100%), Overtime policy 5(100%), Paid leave 5(100%), Performance Bonus 5(100%), retirement plans 5(100%), Subsidized Utilities 5(100%), Travel expense 5(100%), Unpaid Leave5(100%). 5 respondents has chosen this major tangible monetary incentives used as a reward and motivation tools for employees. As per the survey Table 4.14. The company don't use as incentives, rewards and motivation system for this tangible monetary incentives tools employee stockownership plan, profit sharing plans, and subsidized housing tangible monetary incentives.

B. Tangible non-monetary incentives

Table 4.15: Tangible non-monetary incentives

Item	Variables	Frequency	Percent
Informal recognition	Yes	3	60
	No	2	40
	Total	5	100
Verbal recognition or praise	Yes	5	100
Formal Recognition at office get-togethers	Yes	5	100
Feedback	Yes	5	100
Friendly greetings	Yes	3	60
	No	2	40
	Total	5	100
Club privileges	No	5	100
Use of company facilities equipment, supplies for personal projects	No	5	100
Job rotation	Yes	3	60
	No	2	40
	Total	5	100
Special assignments	Yes	5	100
Training	Yes	5	100
Participation in Decision-making	yes	5	100
Growth opportunities	Yes	5	100
Autonomy over work	Yes	5	100
Promotion	yes	3	60
	No	2	40
	Total	5	100
Flexible hour's	No	5	100

Source: Own Survey Data, 2017

As the result showed on Table 4.15, the company uses all 15 tangible non-monetary incentives that the company provide mostly to employees listed on the theoretical framework. Out of 15 tangible non-monetary incentives, 8 of them are the major tangible non-monetary incentives that the company provide mostly to employees. Tangible non-monetary incentives identified, verbal recognition or praise 5 (100%), formal recognition at office get-togethers5 (100%), feedback 5 (100%), supplies for personal projects5 (100%), special assignments 5 (100%), training 5 (100%), participation in decision-making 5 (100%), growth opportunities, and autonomy over work 5(100%). 5 respondents have chosen these major tangible non-monetary incentives used as a reward and motivation tools for employees. As per the survey Table 4.15, the company don't use some of tangible non- monetary incentives to its employees such as club privileges, flexible hours, use of company facilities equipment, and supplies for personal projects.

C. Intangible non-monetary incentives

Table 4.16: Intangible non- monetary incentives

Item	Variables	Frequency	Percent
Insurance for health/disability/life	Yes	5	100
Profit sharing plans	No	5	100
Retirement plans	Yes	5	100
Employee Stock Ownership Plan	No	5	100
Educational	Yes	5	100
Overtime policy	Yes	5	100
Paid leave	Yes	5	100
Unpaid leave	Yes	3	60
	No	2	40
	Total	5	100
Subsidized utilities	Yes	2	40
	No	3	60
	Total	5	100
Subsidized housing	No	5	100
Travel expenses	Yes	5	100
Child Care	Yes	3	60
	No	2	40
	Total	5	100

Source: Own Survey Data, 2017

As the result showed on Table 4.16, the company uses all 12 intangible non-monetary incentives that the company provide mostly to employees listed on the theoretical framework. Out of 12 intangible non-monetary incentives, 6 of them are the major intangible non-monetary incentives that the company provide mostly to employees. The major intangible non-monetary incentives identified, insurance for health/disability/life 5(100%), retirement plans 5(100%), educational 5(100%), overtime policy 5(100%), paid leave, 5(100%), travel expenses 5(100%).As per the survey result, 5 respondents have chosen the secondary major tools as mostly provided incentives and rewards to employees are, child care 3(60%), subsidized utilities 2(40%), and unpaid leave 3(60%). As per the survey Table 4.16,the company don't use some of the intangible non-monetary incentives to employees such as employee stock ownership plan, profit sharing plans, subsidized housing

4.5. Process of Measuring Entity Performance

4.5.1 Financial Measure

Harar Brewery SC measures its entity level performance annually. At the beginning of each year entity wide financial plan that to be achieved with in that period will be prepared and distributed to each department aimed at creating alignment. This financial plan contains extensively financial or accounting measures such as, profit before tax, return on sales, total expenses, total net cash flow, operating margin, total of cash receipts, manufacturing cost, running cost, asset turnover. Then, at the end of the period, plans will be compared with the performance (outcomes).

4.5.2 Non-Financial Measure

Harar Brewery SC is using the non-financial measures as indicators of performance. According to Sales and marketing senior business analyst, they use monthly sales volume verses annual plan and budget cost. Customer satisfaction is also measured by the number of complaints letter and customer survey made once year for major customers. Customer loyalty is also used as an indication of their performance and measured in terms of repeated purchase made by customers.

4.5.3 Individual Measure of Performance

The interview held with compensation and benefit manager showed that, Harar Brewery SC has individual performance measurement system that is integrated with incentive and motivation plan which make sure the company goals and strategy. To set targets for employees Harar Brewery SC uses as benchmark over all companies' performance (EBIT), department targets or functions annual plan by linked with individual employees specific role respectively to their function and then the target will be assign to them.

The company measures its employee performance twice a year. The first measurement is held on July each year and known by employees as STI "short term incentives" performance measure. This measure is aimed at alerting employees to the second phase of performance measurement which held on December 31st. The purposes of these measures are, determining the value of all employees, improving employee's performance and identifying the need for trainings.

Harar Brewery SC evaluate its employees against predefined assessment schedule to employees performance and work behavior monthly, quarterly, semi-annually and annually. There are two major performance measurement practices in place:

1. Annual performance appraisal (APA) which measure work behavior interims of how the result achieved.
2. STI (short term incentives) which measures the result of predefined goal of the employees (what has been done).

Then, based on the above performance measurement practice the company evaluates the employee's result. Harar Brewery SC uses as benchmark over all companies' performance (EBIT), department targets or functions annual plan by linked with individual employees specific and achievable target will be assign to the employee.

In all these process if any default is identified, employees will be communicated by direct letter. The immediate boss is responsible to measure its employee's performance and later the result of employees in all departments will be given to the human resource department.

CHAPTER FIVE

Summary of findings, conclusions and recommendations

This part of the study tries to summarize and conclude the key findings which arose out of the study and pass possible recommendations as remedies to alleviate the existing and observable potential hurdles and the intention of this study was to evaluate Harar Brewery SC on selected elements of management control system specifically, result control group, reviewing the present practices being monitored, comparing those practices with the theoretical frameworks and research findings, then to recommend on how to improve these variables to give strength for organization's management control system in general and outcome control variables in specific.

5. 1 Summary of Findings

This part of the study tries to recapitulate the key findings which arose out of the study.

- ❖ Harar brewery SC has a general business strategy that is continuously increasing quality of its product and market share through customer satisfaction to get higher financial profits. Harar brewery SC is committed to being part of the conversation with consumers and being recognized as the preferred partner for its customers
- ❖ Interviews held with senior business analyst of Harar brewery SC claimed that, the business level strategy has been changing due to deliberate and emergent change in internal and external environment. The most significant driver is the dynamic nature of the business. In order to stay in the market, breweries have been developing different strategies. The prominent strategy that Harar brewery SC follow mainly two factors which drive this issue, which are push factor and pull factor. Push factor is about the volume by letting engage the customer to increase the sells volume of Harar products. Pull factor is about creating the consumer demand through marketing and trade marketing. By considering these variables the strategy will be amended. The company strategies are well designed and adjusted to accommodate changes in the business environment.
- ❖ When the researcher looked the practice of performance measuring process for both entity and individual level, Harar brewery SC has been extensively using the one that relate to financial performance to the planned one giving less importance for quality, flexibility

resource utilization and innovation which referred to non-financial measure. For measuring individual's performance, Harar brewery SC is using various criteria and performance indicators in measuring its employee performance. As per the interview held with the company compensation manager, the company measures its employee performance twice a year. The first measurement is held on July each year and known by employees as short term incentives (STI) performance measure. This measure is aimed at alerting employees to the second phase of performance measurement which held on December 31st. The purposes of these measures are, determining the value of all employees, improving employee's performance and identifying the need for trainings. Most of the respondents have also mentioned there were additional performance measurement that Harar brewery SC used to evaluate the financial performance of the company which were not listed on the survey and literature review. Some of the financial measurement used by the company are sales volume analysis, comparison of gross revenue with sales volume, earnings before interest and tax (EBIT), functional profit and loss analysis, price analysis, comparison of budget with actual results and controlling customer daily payments through bank reconciliation which will ensure all payments are deposited to the company's bank account are usually used to check performance of the company on monthly and weekly basis. Besides the company has been conducting twice a year performance measurement for favoring poor performers, adopting close supervision in measuring process, quick communication of result to employees with the necessary feedback and training for poor performers and others. Besides the financial performance measurement used to evaluate of the company, Harar Brewery SC also uses other different non-financial performance measurements which didn't listed on the literature and survey question to assess production department. Some of this non-financial performance measurement tools are obsolete review (risk, exposure) for stock materials, items etc., and operational performance indicators review.

- ❖ According to Condly (2003), people can either work as individuals or as part of units and various incentives programs target either the group or individuals. Presumably, individuals have more control over the outcome, when it's more under their individual and in fact put considerable effort and incentives targeted to individual employees would be more powerful than team incentives. The empirical findings are in line with most of the

expectation outlined from the literature, Harar Brewery SC is using both group and individual based incentives giving higher emphasis on individual based incentives. As per the interview held with senior business analyst, who has worked in Harar for the last three years in sales department, mentioned that Harar brewery SC provide different kinds of incentives to customer to secure and make sure that all products are delivered and sold to the consumers while maintaining the product quality and satisfaction of the consumers at the same time. The company individual performance measurement system that is integrated with incentive and motivation plan to make sure the company goals and strategy have achieved. To set targets for employees, Harar Brewery SC uses as benchmark over all companies' performance (EBIT), department targets or functions annual plan by linked with individual employee's specific role respectively to their function and then the target will be assign to them.

5.2 Recommendations

Strategy Planning: Even if the strategic planning practice being used by Harar brewery SC is in line with the theoretical propositions derived from the literature and control by using goals is highly emphasized.

- Since both customer requirements and the business environment are constantly changing the company has to assess how successful they are at meeting the customers' needs, as well as how successful the competitors' are this may also help the company to identify new market.
- Harar Brewery SC strategic and annual plan initiated from the global parent company and this will create a stretching to the local top management team. I recommend that the projection of the three year targets should be initially made by the local operating company top management team rather than the global parent company by doing the SWOT analysis in the external and internal business environment.
- The company has developed its vision, mission, strategic and annual plan but not openly communicated to the respective stakeholders in the company. This will affect the company in achieving its objective. So that it is better to create some alignment in communicating the company's vision. Mission, strategic and annual plan by considering some confidential Sales and marketing strategic plan.

Performance Measurement and Evaluation: Even though Harar brewery SC use both Performance measurement systems which are individual and organizational performance. Until recently, the company concentrated on the use of financial performance measures as the foundation of performance measurement and evaluation purposes.

- ❖ I recommend the company should give the same responsiveness and has to enhance using non-financial performance measurements system as one of major performance measurement system.
- ❖ Harar brewery SC has to enhance measuring individual performance using different various criteria and performance indicators in measuring its employee performance.
- ❖ Therefore, the company performance measurement system should incorporate any financial and non-financial measurement system as performance measurement tools which will provide incremental information on managerial efforts.

Incentives, reward and motivations: Even though, Harar breweries SC receive bonuses based on both their individual performance and on the performance of their subunit.

- ❖ The company should not base on achieved present targets only apart from this they should consider employee's current performance, increased responsibilities and recognition from both peers and superiors as base for rewarding system.
- ❖ The company should seek for various ways of improving employees' performance in their company by finding out the effect, causes or problems associated the incentive scheme which will help them to identify those things that motivate their staff and apply them properly.
- ❖ The management of the company should try as much as possible to adopt good and positive different kind of motivational techniques to increase the moral of the workers towards performance and maintaining specific aspects of satisfaction related to pay, benefits, promotion, working conditions, supervision, organizational practices and relationships with co-workers.

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Appendixes

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MSC IN ACCOUNTING AND FINANCE**

QUESTIONNAIRE PREPARED FOR EMPLOYEES OF HARAR BREWERY SHARE CO.

PURPOSE OF THE QUESTIONNERIE

The purpose of this questionnaire is to gather the relevant data needed to undertake a study entitled “Evaluation of Management Control System in Brewery Companies: A Study on Harar Brewery S. Co. The completion of the research substantially depends on your cooperation and of the information you give in this questionnaire. Furthermore, the information you provide will be solely used for academic purpose. Therefore you are politely requested to give genuine response to the questions which are referring to you.

The data you provide will be used for academic purpose only and will be kept confidential.

Thank you for taking your treasured time to fill out the questionnaire. I appreciate your collaboration in advance.

Part I: Strategic Planning Formation Process

Initiating and agreeing on a strategic planning process

1. An agreement was reached among main stakeholders about the purpose of strategic planning before starting the process of strategic planning
1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree
2. An agreement was reached among the main stakeholders about who should be involved in the process of strategic planning
1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree
3. The steps of the strategic planning formation process were agreed on and documented before starting the process
1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

Organizational Mandate

4. In your company, the interpretation of what is required/forbidden by the mandate is clear
 1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree
5. The Company's formal and informal mandates were clearly communicated among the participants in the strategic planning process
 1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

Vision Statement

6. A vision statement was developed for the company's level you were involved in:
 1. Yes
 - 2.No
7. The vision statement clarifies organizational visionary goals and the organization's position in the future
 1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree
8. The vision statement is widely circulated and communicated among internal organization's members and External stakeholders
 1. Strongly Agree. 2. Agree 3. Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree
9. The current vision statement should be revised or modified
 1. Yes
 - 2.No

Mission Statement

10. A mission statement was developed for the organizational level you were involved in (Global, Operating Company, Department)
 1. Yes
 - 2.No
11. The developed mission statement: Clarifies the purpose of existence ,clarifies the optimum goals and provides a framework by which strategies are formulated
 1. Strongly Agree. 2. Agree 3.Strongly Disagree.4. Disagree. 5. Neither Agree nor Disagree
12. The vision statement is widely circulated and communicated among: Internal organization's members and External stakeholders
 1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

13. The current mission statement should be revised or modified

1. Yes

2.No

Assessing the Environment & Strategic Issues

14. A comprehensive strategic analysis was conducted as part of the strategic planning process (Strategic analysis: an examination of the possible or probable effects the internal organizational' and/or external 'environmental' forces and conditions have on the organization's success)

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

15. Strategic issues facing your organization, division, or department have been clearly identified

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

16. The strategic issues were used to formulate the strategies and plans

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

Strategies and Plans Development

17. Strategies and plans were developed for the organizational level you were involved in (Global, Operating company, or department level,)

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

18.A strategy map was developed for the organizational level you were involved in (a strategy map is a visual, single-page representation of the four components of an organization's strategy, the relationships between an organization's financial, customer, internal process, and learning and growth perspectives (Kaplan, 2004))

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

19. During the strategic planning formation process, it was decided what current strategies should be kept, improved, or stopped

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

20. During the strategic planning formation process, it was decided what new strategies and plans should be initiated, when, why, and by whom

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

21. The developed strategies and plans were implemented successfully

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

Monitoring & Evaluation

22. The execution of the strategies and plans are monitored on:

1. Monthly

2. Quarterly

3. Yearly

4. Less frequently

5. Never

23. The outcomes of the strategies and plans have been evaluated

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

24. Some of the strategies, systems, policies, and goals were revised as a result of the evaluation process

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

Part II: Barriers & Obstacles to the Strategic Planning Formation Process: Internal Factors

The following internal factors are seen as barriers or obstacles to the strategic planning formation process: (From Question 34-45)

25. Organizational culture

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

26. Organizational structure

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

27. Organization's mandate

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

28. Strategic planning procedures

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

29. Weak strategic thinking

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

30. Leadership commitment to strategic planning

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

31. Organizational internal processes/regulations

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

32. Planners' expertise

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

33. Employees resistance to change

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

34. Lack of financial resources

1. Strongly Agree.
2. Agree
3. Strongly Disagree.
4. Disagree.
5. Neither Agree nor Disagree

35. Weak IT infrastructure

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree
36. Weak performance management system

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

External Factors

The following external factors are seen as barriers or obstacles to the strategic planning formation process: (From Question 46-55)

37. Political influences:

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

38. Macro economy

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

39. Political instability

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

40. Turbulent environment

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

41. Rapid technology development

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

42. Linkage to country's strategic plan

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

43. Unavailability of macro information

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

44. Ambiguity of external stakeholders' expectations

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

45. Variety of external stakeholders

1. Strongly Agree. 2. Agree 3.Strongly Disagree. 4. Disagree. 5. Neither Agree nor Disagree

PART IV: About performance measurement

Next, there are listed reports of various MCS (Management controlling system) practices and techniques that can be used to support business management in Brewery Industries. Do you use these analyses or reports in your Breweries? If you do, how occasional (very seldom-quite often) is it at a time or is it systematic. Which one is as a part of your normal routines? (Please, tick (✓) the most appropriate alternative for each row.)

1. Entity level

(a) Marketing and sales department

The following are performance measurement variables commonly used by manufacturing firms. From the list of performance measures below, chose the performance measures that your organization uses for measuring your department performance.

S. No.	MARKETING AND SALES DEPARTMENT	Not Used	Very Seldom	At times	Quite Often	Systematicall y
1	Average sales order	0	1	2	3	4
2	Number of new customer contacts	0	1	2	3	4
3	Number of warranty claims	0	1	2	3	4
4	Sales per region	0	1	2	3	4
5	Customer loyalty	0	1	2	3	4
6	Market shares	0	1	2	3	4
7	Deliver lead time	0	1	2	3	4
8	Number of customer orders completed	0	1	2	3	4
9	Frequency of delivery	0	1	2	3	4
10	Number of customer orders received	0	1	2	3	4
11	Total Costs by department	0	1	2	3	4
12	Total expenses	0	1	2	3	4
13	Total net cash flows	0	1	2	3	4

[OR] If none of the above performance measures are used to measure the department's performance in your Company, state any other performance measurement variables used to measure your department's performance & the benchmarks used to compare the department's performance

(b) Production department

From the list of performance measures below, choose the performance measurement variables frequently employed or used in your department.

S. No.	PRODUCTION DEPARTMENT	Not Used	Very Seldom	At times	Quite Often	Systematically
1	Amount of finished goods inventory	0	1	2	3	4
2	Amount of material scrap produced	0	1	2	3	4
3	Amount of raw materials inventory	0	1	2	3	4
4	Amount of work in process inventory	0	1	2	3	4
5	Cost per unit produced	0	1	2	3	4
6	Number and length of down time	0	1	2	3	4
7	Inventory turnover ratio	0	1	2	3	4
8	Number of units of finished goods in the inventory	0	1	2	3	4
9	Number of units produced	0	1	2	3	4
10	Rate of production capacity or resources used	0	1	2	3	4
11	Number of machine or plant hours used	0	1	2	3	4
12	Quantity of energy consumed	0	1	2	3	4
13	Unit of output per hour of labor used	0	1	2	3	4
14	Production waste	0	1	2	3	4
15	Unit of output per unit of raw materials used	0	1	2	3	4
16	Cost per damaged unit produced	0	1	2	3	4
17	Manufacturing lead time	0	1	2	3	4
18	Rate of production introduction	0	1	2	3	4
19	Material quality	0	1	2	3	4
20	Output quality	0	1	2	3	4
21	New product development	0	1	2	3	4

[OR] your practice, any other performance measurement variables with which your department's performance measured and the bench marks your result is compared?

(C) Accounting department

From the list of performance measures below, chose the performance measures your organization uses for performance measurement:

S. No.	ACCOUNTING DEPARTMENT	Not Used	Very Seldom	At times	Quite often	Systematically
1	Cost of goods sold	0	1	2	3	4
2	Gross profit margin	0	1	2	3	4
3	Total sales to revenues	0	1	2	3	4
4	Net profit	0	1	2	3	4
5	Return on equity (ROE)	0	1	2	3	4
6	Return on investment (ROI)	0	1	2	3	4
7	Customer satisfaction: survey ratings	0	1	2	3	4
8	Return on assets (ROA)	0	1	2	3	4
9	Return on capital (ROC)	0	1	2	3	4

[OR] Any other performance measurement variables that you think the firm uses to measure its performance and bench marks used to compare the result.

2. Individual performance measurement

(d) Human resource department

1. How do you know if your employees are working towards achieving its pre-set goals?
(Indicators)

2. What is the performance measurement practice being used by your organization to measure employees performance?

3. What kind of performance measures are being used in your organization? Preset goals as benchmark or other and what criteria are used to select these measures?

4. How often do you assess the individual performance? And what actions are to be considered if the employees are appeared to be poor performers?

5. The general practice of measuring individual performance in your organization and the bench mark against which the result is compared.

PART V: About incentive, reward and motivation

From the list of incentives and rewards below, chose the incentives and rewards your Organization uses for motivating employees: (*Multiple responses are possible*).

A. Monetary Incentives:

1. Direct Compensation: (*Multiple responses are possible*).

- (a) Base salary
- (b) Commission
- (c) Performance Bonus

2. Indirect Compensation used by the organization (*Multiple responses are possible*).

- (a) Insurance for health/disability/life
- (b) Profit sharing plans
- (c) Retirement plans
- (d) Employee Stock
- (e) Ownership Plan

3. Employee stock ownership plan (ESOP) (*Multiple responses are possible*).

- (a) Educational
- (b) Overtime policy
- (c) Paid leave
- (d) Unpaid leave
- (e) Subsidized utilities
- (f) Subsidized housing
- (g) Travel expenses
- (h) Childcare

B. Tangible Non-Monetary Incentives:

1. Free meal treats (*Multiple responses are possible*).

- (a) Free food/beverage
- (b) Festival bashes
- (c) Coffee breaks
- (d) Picnics
- (e) Birthday treats

2. Awards (***Multiple responses are possible***).

- (a) Plaques or trophies
- (b) Certificates or scrolls
- (c) Letters appreciation

3. Knick-knacks (***Multiple responses are possible***).

- (a) Decorative
- (b) Tie pins or brooches
- (c) Calendars or diaries
- (d) Watch
- (e) Electronic items
- (f) Newspaper or magazine Subscription

4. Tokens (***Multiple responses are possible***).

- (a) Tickets to movies/sports events/concerts
- (b) Gift certificates
- (c) Paid-up Vacation trips
- (e) Anniversary/birthday presents

C. Intangible Non-Monetary Incentives

5. Social rewards (***Multiple responses are possible***).

- (a) Informal recognition
- (b) Verbal recognition or praise
- (c) Formal Recognition at office get-togethers
- (d) Feedback
- (e) Friendly greetings
- (f) Club privileges
- (g) Use of company facilities equipment, supplies for personal projects

6. Task-related rewards (***Multiple responses are possible***).

- (a) Job rotation
- (b) Special assignments
- (c) Training

- (d) Participation in Decision-making
- (e) Growth opportunities
- (f) Autonomy over work
- (g) Promotion
- (h) Flexible hour's

PART VI: Respondents profile:

(a) Planning department

I. About mission, vision and strategy [interview]

- 1) What are the mission, vision and strategic objectives of your organization?
- 2) Have you ever update your strategies with change in the environment?
- 3) How does your organization make changes in strategies?
- 4) If yes, what are those drivers?

(B) Human resource department

II. Incentive, reward and motivation [interview]

1. What is the incentive and reward practice being used by your organization to motivate Employees?
2. What kind of incentives and rewards are being used in your organization? (Intrinsic / extrinsic, Monetary/ non- monetary, long-term/ short term) and what criteria are used to select those tools?
3. How often your organizations provide incentive and reward to motivate employees? (The time Pattern)
4. Do you think that incentive, reward for motivations used as a controlling mechanism?
5. Is there key employees turn over? How do judge the turn over?

THANK YOU A LOT FOR YOUR TIME!!!