Management Control System for Small and Medium-Sized Enterprises: A Case Study in Sweden

Business Administration, Degree Project in Management Accounting & Process-based Control (Master) 15.0 hp

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Abstract

**Background:** The number of small and medium-sized enterprises has been increasing and has gradually become the main part of economic development over years. However, it is challenging for them to compete in the fast-changing business environment, especially with the changing demands of their stakeholders. In order to control and improve business processes, Management Control System is important for monitoring each process while Performance Measurement System, as an essential part, is a good way of managing goals and targets and help companies improve. Since the business process is closely related to stakeholders, it is necessary to study how small and medium-sized enterprises manage their stakeholders’ expectations to improve their use of performance measurements and control business processes.

**Findings:** We have selected two small and medium-sized enterprises in Kronoberg County in Sweden for our case study. We have found that our research model based on literature is well explained more in detail in practice. Based on the literature, we identify that key stakeholders for small and medium-sized enterprises are basically primary stakeholders, including customers, suppliers, employees, owners/shareholders and community. Performance Measurement System can be used and developed by managing these stakeholders’ expectations. After collecting empirical data, we have discovered that competitors or other companies have an impact on the use of Performance Measurement System as well. Small and medium-sized enterprises also have several important stakeholders to consider and they try to develop and improve Performance Measurement System by managing their stakeholders’ expectations from different perspectives.

**Results:** It is important for small and medium-sized enterprises to find out what their main stakeholders are first before they can manage their expectations. After identifying key stakeholders, different aspects of these stakeholders need to be considered. For instance, employees’ capability of working need to be measured and they have a big impact on Performance Measurement System use and development, especially in small and medium-sized enterprises. Suppliers and customers situations need to be considered since they may come from different regions or countries where there are political issues. Therefore, risks of doing business require enterprises to be flexible and react quickly. Managing these aspects regarding stakeholders is
crucial for developing and improving Performance Measurement System in small and medium-sized enterprises.

**Keywords:** Performance Measurement System, Stakeholder, Small and Medium-Sized Enterprises, Management Control System

**List of Abbreviations**

EU European Union

MA Management Accounting

MAS Management Accounting System

MCS Management Control System

PM Performance Measurement

PMS Performance Measurement System

SMEs Small and Medium-Sized Enterprises
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1 Introduction

Business models have changed significantly over the past 20 years. Customers, as the main stakeholder, have been the priority to consider in a company. Customer behaviors have also been changing as a result of technological developments and the convenience of purchasing traditional/classic or standard commodities online. Since the business environment has been changing as well, it has the significance for us to study how stakeholders like customers affect management control and performance measurements, especially in small and medium-sized enterprises (SMEs) since they are gradually becoming part of the main source for economic growth and support big enterprises as suppliers. Likewise, much literature has started to pay more attention to SMEs regarding different field studies.

Due to the changing business environment, new management styles and techniques have been designed and developed. Performance Measurement (PM), as part of Management Control System (MCS), has also been developed and used widely in enterprises to help managers manage and control business and align business strategies. Being able to measure how enterprises have been doing to reach their goals or targets is a good way to improve. Consequently, the design of PM used in an enterprise is crucial to see what the enterprise is trying to control and improve. Therefore, in this thesis, we will strive to make contributions in this field based on a case study in Kronoberg County, Sweden. This chapter starts with the background introduction of the thesis where the main topic of PMS in MCS from a stakeholder perspective in SMEs is presented. This also includes a clear definition of SMEs in order to contextualize them in a specific economic context. It will then be followed by a problem discussion, which leads to the main research question of this thesis. Finally, the aim and purpose of this study will be given based on the topic.

1.1 Background

There have been several studies exploring and explaining Management Accounting (MA) and MCS in the last few decades. The studies have primarily reflected on the most remarkable changes in business models, namely, moving mainly from economies of scale to economies of scope, and also from mass production to customized production by batches in the 1950s (Johnson, 1992; Johnson & Kaplan, 1987).
MA and MCS affected by changing business environments were developed, especially after the criticism of traditional MA in the 1980s and early 1990s. Johnson and Kaplan (1987) have stated the ‘relevant lost’ of financial data and managers’ decision-making with the utilization of traditional MA. As the advancement of information technology and globalization resulted in management accounting practices development, a large number of new approaches appeared and became widespread. Meanwhile, during business and operational processes, information was needed for making decisions and different new management accounting techniques and practices were used for controlling, which led to the design and development of MCS in companies, especially in large enterprises (Ittner & Larcker, 2001). New techniques such as activity-based management, target costing, balanced scorecards and other new performance measurement methods were utilized and integrated into MCS to help companies manage and control business processes (Ittner & Larcker, 2001; Kaplan & Norton, 1992). MCS has been studied and practiced in various fields and topics (Langfield-Smith, 1997). Nonetheless, it can still be developed and facilitated further in different fields or areas and from different perspectives. MA and MCS contain different management control aspects, including cost management, budgetary control, performance management, and so forth. As one important part of MCS, Performance Measurements (PM) is essential for enterprises to identify what needs to be measured and controlled for further improvement. Lukviarman (2008) explains that an enterprise can better monitor and control its plan and strategy implementation and make improvements through the utilization of a proper Performance Measurement System (PMS). Until the 1980s, most measurements used in literature focused on the financial perspective. In the late 1980s, a request for new performance measurements increased. Enterprises started trying to change to gain competitiveness because of changes in the world market (Ghalayini & Noble, 1996). Literature and theories on PMS using a combination of financial and non-financial PM started to develop and gain more attention. Various PM methods, such as balanced scorecards and box score approaches, were developed to help enterprises with the design of PMS.

In recent years, SMEs have become an essential part of regional or national economies worldwide, which facilitates economic growth and development globally (Karpak & Topcu, 2010). Since these types of companies have been more important due to their role in growth and development
(Norrman, 2008), MCS and PMS adopted and used in SMEs has drawn increasing attention. According to Taticchi et al. (2010), ever since the middle of the 1980s, there has been an increasing demand for managing and controlling business process for enterprises. Meanwhile, enterprises have started to realize the importance of measuring and monitoring performance to be competitive. Garengo et al. (2005) indicate that the development of information technology and rapidly changing competitive environment have provided a great chance and circumstance for studying PMS in SMEs, especially for manufacturing SMEs. However, compared to MCS studies in general and empirical studies in large companies, this field still needs more research and empirical studies, which includes the business process of SMEs and performance measurements used in controlling and monitoring the business process. Therefore, PMS and MCS should also be in line with this trend and be studied to contribute to monitoring and controlling operating processes to ensure the implementation of companies’ strategies within SMEs.

Nowadays, with the development of technology and networking, many companies are facing a rapidly changing business environment. The exponential flow of labor force across borders, educational internationalization, Internet or technological improvements in Enterprise Resource Planning (ERP) systems have changed the way companies do business, providing faster communication and information flow that eventually influences decision-making. The rapid development of information technology and manufacturing practices have a great impact on facilitating the development of companies’ practices (Prahalad & Oosterveld, 1999). These changes have an impact on enterprises. Lukviarman (2008) states that enterprises should take the environment into account, especially stakeholders who have a potential impact on decision-making since stakeholders have had changing requirements and have become one of the main pressure sources along with the environmental change. Therefore, stakeholders, as an essential part of any business, are selected as the main theoretical basis of this thesis for understanding how PMS is used and developed in SMEs.

1.1.1 Small and Medium-Sized Enterprises

Mahembe (2011) states that the definition of SMEs varies in different countries or regions. Therefore, it is important to have a clear understanding of how to define SMEs within the specific business environment (Rocha, 2012). SME is mostly utilized by the European Union whereas other
international organizations have their own terms for SMEs (Mahembe, 2011). In this paper, the definition of SMEs used is given by the European Union (EU) and measured by the number of employees, turnovers or balance sheet total amount as shown in Figure 1 below at EU level. The companies that are part of the case study are between Small and Medium-sized Enterprises.

Furthermore, according to the European Commission’s Annual Report on European SMEs 2016/2017, SMEs account for 99 percent of total businesses and employ around 67 percent of the population throughout the communitarian territory.

**Definition of SMEs.**

<table>
<thead>
<tr>
<th>Company Category</th>
<th>Employees</th>
<th>Turnover (€)</th>
<th>Balance sheet total (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>&lt; 2 million</td>
<td>&lt; 2 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>&lt; 10 million</td>
<td>&lt; 10 million</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>&lt;250</td>
<td>&lt; 50 million</td>
<td>&lt; 43 million</td>
</tr>
</tbody>
</table>

**SMEs and large enterprises: number of enterprises, employment, and value added in 2016 in the EU-28 non-financial business sector.**

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*Figure 1-SMEs definition. Source (European Union, 2017b)*
1.1.2 SMEs in Sweden

It should be considered that Europe is still recovering from the economic crisis of 2008/2009. Unlike the Spanish economy, which still has not recovered from that economic meltdown (European Union, 2016), SMEs in Sweden have been performing better than big companies (European Union, 2017a) and generally, their situation can be categorized as healthy, especially in terms of value added (see Figure 2 below). Furthermore, “SME value added increased by 13.0 % compared with 3.8 % for large firms. SME employment growth was 5.4 %, in contrast to an increase of only 1.2 % for large firms. In 2015-16, SME employment and value added rose by 1.6 % and 4.2 % respectively... SME value added is forecasted to rise by 10.3 % in 2016-2018, while employment is forecast to increase by 4.0 %” (European Union, 2017a).

![Table: SMEs Basic figures in Sweden](Image)

In regard to Sweden’s SMEs in the manufacturing sector, the only available information is about the percentage out of GDP (gross domestic product). As of 2016, manufacturing is the third sector in Swedish economy with 15 percent out of total GDP (this means, 6 percent less than figures from 2005) behind services and another tertiary sector (World Bank, 2017).

1.2 Problem Discussion

MCS has always been an important information source of companies’ business processes. To be able to make the right decisions, it is crucial to make good use of MCS, especially for SMEs. According to R. Simons (1995), a small company at the beginning stage of its development barely needs a formal control system due to the fact that communication can be made easily and core business areas can be covered with just a couple of employees. However, once the company
begins to grow in size, there is more demand for a standard way of monitoring employees' performance to ensure meeting set goals or targets (R. Simons, 1995). Hence, measuring performance is an essential part of the control system. One of these tools is PMS (Anthony & Govindarajan, 2004). The ability to develop and make good use of PMS for monitoring and controlling business to reach predetermined goals is important for SMEs.

Additionally, according to Hudson et al. (1999), PMS as an important part of MCS is used for daily management. However, for SMEs, being able to design and change PMS to deal with daily management is extremely challenging due to a lack of sufficient resources and management experts. Therefore, SMEs should be more agile and ready to react quickly to potential changes (Hudson, Smart, & Bourne, 2001). Jamil & Mohamed (2011) explain that in order to design a proper PMS to support SMEs, enterprises ought to work out what features PMS should consist of. This requires the participation of different stakeholders as they are the ones who can potentially influence the design of PMS.

There are some studies that have come up with an explanation of PMS from a stakeholder approach (Atkinson, Waterhouse, & Wells, 1997; Cooper, 2004; J. S. Harrison & Wicks, 2013; Lukviarman, 2008; Snorradottir & Sveinsdottir, 2017). Most of these studies emphasize either a general explanation of PM from the stakeholders’ perspective with a focus on literature reviews or a general explanation of corporate social performance from the stakeholders’ perspective without considering SMEs. For instance, Harrison & Wicks (2013) try to identify what creates value for stakeholders and ways to measure value creation. Atkinson et al. (1997) develop PM focusing on strategic planning output and its relations with stakeholders. Lukviarman (2008) seeks to improve PM model based on stakeholder theory with the consideration of non-financial PM. Cooper (2004) relates the stakeholder approach with corporate social responsibility performance, which is chosen as a topic by many other authors as well. There are also other studies about PMS in SMEs trying to explain PM use and implementation in SMEs from literature and practice perspectives (Chong, 2008; Hudson, Bennett, Smart, & Bourne, 1999; Hudson et al., 2001; Jamil & Mohamed, 2011; Waśniewski, 2017). However, despite increasing attention to SMEs, earlier studies on PMS in SMEs are rare (Garengo, Biazzo, & Bititci, 2005; Hudson et al., 2001; Maduekwe, 2015). Chennell et al. (2000) mainly focus on PMS in SMEs and try to explain that PM used in SMEs
can be influenced by stakeholders, but their study is based on the implementation of PM in Australian enterprises. These different studies all explain the importance of SMEs and encourage further empirical or case studies from different perspectives in more regions. Chong (2008) suggests that it is necessary to do more empirical research to assist SMEs with choosing measurements and that repeated studies can offer a variety of measures in different regional and national circumstances for comparison and learning. Furthermore, since Chong’s (2008) research was based on goal approach, he encourages basing further research on other theoretical approaches, such as the stakeholder approach. Since this study, however, there have been few studies focusing on the stakeholder approach to study PMS in SMEs. In light of this, as well as the fact that there has been an increasing number of SMEs and researchers are now encouraging more empirical studies and case studies of PMS in SMEs under a different context (Hudson et al., 1999; Garengo et al., 2005; Chong, 2008; Halabi et al., 2010), this paper aims to make a contribution in this field.

We base our study on the stakeholder approach to investigate how PMS is used in SMEs through stakeholder theory with a case study in Sweden. SMEs in Sweden are growing fast and have become the driving force of economic growth, especially manufacturing SMEs, because most are suppliers to big enterprises. Hence, there should be more studies to help them control and monitor their business processes. However, only a few studies investigate how they deal with the use of PMS, which is an essential tool to help enterprises monitor, control and improve. According to Hudson et al. (2001), it is common for SMEs to have plenty of measurements, which indicates that there is a lot of information and data to handle. Managers in SMEs sometimes do not even know why they use certain measurements or they consider that some measurements may be of no use to their organizations (M. Hudson, Smart, & Bourne, 2001). Choosing the right measures can be important for enterprises because measures are indicators of how to control and improve business process. However, using too many measures can be time-consuming and lead to extra costs, which is extremely harmful to resource-starved SMEs. Previous studies mostly focus on the design and implementation of PMS in SMEs (e.g. Hudson et al., 1999; Chennell et al., 2000; Hudson et al., 2001; Waśniewski, 2017). The use and development of PMS in SMEs are barely mentioned. Globerson (1985) indicates that employees, as the main user of PM, and other potential
stakeholders such as customers and managers, all play a role in PMS use and development. This means that it is necessary to investigate PMS use and development from a stakeholder perspective since there are relations between them. Even though SMEs have fewer stakeholders, they must have a good relationship with their stakeholders to survive in the competitive market. Thus, it is interesting to study how SMEs use and improve PMS through stakeholders management and how they identify and improve important measures with the collaboration of stakeholders to meet their expectations.

As mentioned above, SMEs in Sweden are performing well. However, there are barely any studies on how they use and improve PMS from a stakeholder perspective. Because SMEs are labeled as lacking resources and having fewer stakeholders in the relevant literature, we aim to identify the main stakeholders as well as further information not mentioned in the literature for SMEs and their impact on PM use and improvement in practice. Hence, this thesis aims to fill the knowledge gap from a literature perspective to see how SMEs in Sweden use and improve PMS by handling and managing stakeholders’ expectations and help SMEs identify ways to improve the utilization of PMS and actual PM figures by collaborating with different stakeholders in practice. Consequently, the research question that will guide this study is formulated as follows.

1.3 Research Question

❖ How are PMS used and developed in SMEs’ business processes by managing different stakeholders’ expectations?

1.4 Purpose

This thesis aims to explore how PM in MCS are used and developed in SMEs based on stakeholder theory, including explaining the theoretical evidence and analyzing empirical findings. In order to do this, a research model will be presented to elaborate how PM is used to reach stakeholders’ expectations from a theoretical perspective. Then, based on empirical findings, practices in SMEs will be examined and a comparison between theory and practices will be made to reach congruence to illustrate which stakeholders are important for SMEs regarding PMS use and improvement and how PM can be used and developed by managing and handling stakeholders in SMEs.
Consequently, the overall purpose of this study is to make a contribution to both theoretical and empirical aspects on the utilization of PMS in SMEs from a stakeholder perspective and identify how SMEs can use and improve PMS through collaboration with stakeholders to reach their expectations in practice.
2 Literature Review

This chapter focuses on the theoretical part of the thesis based on the topic. It mainly deals with the explanation of the main concepts and the relations among them from a theoretical perspective, including business process, MCS, PMS and stakeholder theory. Then, through the description, the design and development of a research model are presented based on MCS/PMS and stakeholder theory. The relevance of PM and stakeholder theory is presented during the research model developing process.

2.1 Business Process

There have been many studies explaining managing the business process in SMEs (Dallas & Wynn, 2014; Kolář, 2014; Okrędglicka, Mynarzová, & Kaňa, 2015). Most try to state the maturity of SMEs’ business process and to what extent SMEs use management approaches to manage their process to stress the importance of business process management in SMEs. Balaban et al. (2011) claim that processes have to be managed and controlled properly in order to perform well. To manage the business process well in an enterprise, performance management which comprises the effort to control and monitor improvement of a business process by utilizing PM is quite important (Balaban, Belić, & Gudelj, 2011).

According to Davenport (1993), a process is defined as “a specific ordering of work activities across time and place, with a beginning, an end, and clearly identified inputs and outputs: a structure for action”. Dumas et al. (2013) indicate that processes are all over the place. No matter what type of organizations, they all need to monitor and control certain processes.

A business-oriented process should contain the components of the structure, measurement, customers, and so forth (Davenport, 1993). Therefore, business processes can be demonstrated as “what companies do whenever they deliver a service or a product to customers” while also clarifying that business process management “is not about improving the way individual activities are performed. Rather, it is about managing entire chains of events activities and decisions that ultimately add value to the organization and its customers”. These “chains of events activities and decisions are called processes” (Dumas, La Rosa, Mendling, & Reijers, 2013). Dumas et al. (2013) further explain that consumers’ sensed value of products or services and the efficiency of products
and services delivery are influenced by planning and performance of the business process. Companies should have the ability to offer high-value products and services to be successful (Ravald & Grönroos, 1996). Thus, it is important to know what creates value in the business process, which requires companies’ ability to identify, create and deliver value (Woodruff, 1997).

A business process which includes activities such as planning, purchasing, producing, delivering, motivating employees and so on can be monitored and managed to ensure good performance in between (Stevenson, 2002). Mooney et al. (1995) divide the business process into two categories, including operational process composed of activities or events within a value chain of a company and management process formed by “information processing, control, coordination and communication” (Mooney, Gurbaxani, & Kraemer, 1995) for managing the operational process.

2.2 MCS in SMEs

According to Balaban et al. (2011), business processes in enterprises need to be controlled and monitored, which requires MCS that consists of different management approaches such as performance management, budgetary management, etc.

Chenhall (2003) states that many concepts like Management Accounting (MA), Management Accounting System (MAS) and Management Control System (MCS) have been widely utilized as the same concept in literature and studies. He further explains that MCS can be viewed as a bigger picture of the concept which comprises different MAS techniques and control directions like cultural and personal controls. Likewise, Malmi and Brown (2008) state based on Otley’s work that MCS has been there for more than 30 years as a phenomenon and its definition is important in order to design it. According to Merchant & Van der Stede (2007), MCS can be described in general as everything that managers would review and monitor to make sure that companies’ strategies and plans are well-implemented or can be adjusted and altered, if necessary. Merchant & Van der Stede (2007) further divide MCS into three categories: management, control and system, to be analyzed from a theoretical perspective. They try to break down the concept of management into different subsections consisting of function, resources and process management. Management control is allocated to the process and is separated from set objectives and strategies. Control is categorized into action, result and personnel controls, which are later used as control mechanisms. Therefore, MCS is a compilation of different control mechanisms used by managers.
in companies. In these control mechanisms it is important to include people who are continuously guided, supported, corrected and trained for correcting deviations, improving or avoiding certain behaviors during the generation of value in companies, because “If all employees could always be relied on to do what is best for the organisation, there would be no need for MCS” (Merchant & Stede, 2007).

According to Otley (1999), MCS can offer sufficient information for managers to do well in their work and help companies influence the behavior of their employees. Chenhall (2003) illustrates that the term and meaning of MCS have developed over time, shifting from an emphasis on providing financial information based on formal procedures to helping managers make decisions with a combination of both financial and non-financial information. Therefore, the concept of MCS has been enriched and characterized as the collection of control mechanisms that contains main formal activities like planning, budgetary planning, coordinating, measuring performance and motivating employees (Chenhall, 2003; Halabi, Barrett, & Dyt, 2010), and also informal controls like behaviour or outputs controls (Ouchi, 1975) and overall clan control which consists of different perspectives such as cultural and social aspects (O’Dwyer (formerly McHugh), Conboy, & Lang, 2013).

Mitchell & Reid (2000) state that doing research on small business regarding MCS is quite challenging as SMEs may vary greatly in size and there is very limited formal MCS to study. However, Hicks (1999) has indicated that some of the management accounting and control techniques like activity-based costing can be utilized by small companies as well. Likewise, Chow et al. (1997) have done a case study of different SMEs, showing that balanced scorecards can be used and integrated into SMEs effectively for specific uses like big companies. Therefore, it is beneficial for SMEs to adopt and use management accounting techniques (e.g. Hicks, 1999; Chow et al., 1997). Most design and use of MCS focuses on general management control and management accounting techniques, especially practices and case studies in large or multinational companies (Ittner & Larcker 2001), meaning that these findings and research on MCS for SMEs are minor compared to large enterprises, despite the fact that SMEs may need more attention when it comes to management control. Moreover, even though there have been negative aspects, such as trouble to differentiate the sizes of SMEs and no formal MCS in SMEs explained. (Mitchell &
Reid, 2000), there is still some literature mentioned above that argues in favor of studying this field so that we can gain more knowledge of MCS from different perspectives in different fields (e.g. Hicks, 1999; Chow et al., 1997).

Additionally, Kombate (2016) demonstrates the importance of MCS in SMEs and mentions that managers in SMEs should account for adapting the control system to the circumstances in enterprises. Several studies indicate that it is common for SMEs to focus mainly on financial aspects by utilizing a traditional MCS (Criveanu & Iacob, 2011; Kombate, 2016). For SMEs, MCS can be formal and informal depending on the situations of the enterprises and it seems that informal controls are considered important (Kombate, 2016; Todorov, 2014). Kombate (2016) stresses that MCS should be used in practice and tested in SMEs as well. In order to do this, the most important factor is having effective control measurements to assess and control business activities’ effectiveness.

2.3 PM and PMS in SMEs

MCS needs tools in order to monitor the implementation and achievement of a firm’s strategy. One of these tools is Performance Measurement System (PMS) (Anthony & Govindarajan, 2004). PMS main use is for measuring how successful the implementation of the strategy is being done by the different level of organizations (strategic, tactical and operational) and facilitate the comparison of established (estimated) and actual goals/results (Robert Simons, Dávila, & Kaplan, 2000). Nonetheless, Robert Simons et al. (2000) pointed out that when designing a PMS it is important to answer basic questions beforehand: how, what and what for. In regard to what and how, the questions should answer what type of information is relevant and how often it is needed to collect it. Whereas, what for, PMS should have a purpose set in place for aligning results of business activities with firm strategy.

On the other hand, Kennerley & Neely (2002) illustrate that financial measurements were the main concern of enterprises until the early 1980s and after that, enterprises have started to realize that it is not sufficient to only use financial measures due to the increasing complexity and uncertainties of the intense competing market. Ittner & Larcker (2001) indicate that there is a growing trend for enterprises to focus more on non-financial and future-oriented measurements. According to
Moullin (2007), organizations’ PM should be relevant to their organizational excellence. Therefore, he recommends linking PM to how well the management is done with the consideration of the value delivered to stakeholders. Jamil & Mohamed (2011) state that PMS is a framework for managers to take better decisions by evaluating, analyzing and improving the performance of conducted business activities.

Garengo et al. (2005) demonstrate that PMS can be of great significance in assisting the development of management in SMEs. The increasing complexity in SMEs especially manufacturing sector comes from the effort to improve technical abilities to meet market demands and the utilization of informal management practices compared to large enterprises, which makes PMS more important in these enterprises to deal with uncertainties, innovation and business process development (Garengo et al., 2005). According to Taticchi et al. (2010), the very first models or frameworks of PMS and management for large companies were introduced in the 1980s whereas the studies on PM in SMEs came out in the middle of 1990s. During that time, SMEs mainly used financial measurements like ROE and ROI, which are used by large enterprises. Then, in the early 2000s, there are studies based on two orientations for the PM in SMEs. One is to apply or adapt PM models aimed for large enterprises to SMEs, and the other one is to develop models for SMEs based on their specific features or issues (Taticchi, Tonelli, & Cagnazzo, 2010). Hudson et al. (2001) indicate that it is necessary to figure out if existing PM methods are applicable and investigate how to design and use PM in SMEs since SMEs have different features from large enterprises. They further study on PM use in SMEs and find out that except for financial measurements, SMEs start to have different non-financial measurements such as quality measurements, time-related measurements, customer satisfaction-related measurements and staff-related measurements (M. Hudson, Smart, & Bourne, 2001). However, this makes it even harder for SMEs to handle since there are many different measurements which generate plenty of data (M. Hudson, Smart, & Bourne, 2001). Meanwhile, PM used in SMEs were mostly for analyzing activities in the past instead of supporting strategic planning procedure (Garengo et al., 2005; Hudson et al., 2001). Therefore, Garengo et al. (2005) state that PM should be organized to support certain strategic planning to some extent. They further indicate the importance of the
design of PMS on operational process use because they consider operation procedure as essential for SMEs traditionally (Garengo et al., 2005).

2.4 Stakeholder theory

Studies and research on PM from a stakeholder perspective are concerned with measuring stakeholders’ satisfaction or creating value added for stakeholders (Atkinson, et al., 1997; Chennell et al., 2000; J. S. Harrison & Wicks, 2013). Garengo et al. (2005) discover that the way of measuring stakeholders’ satisfaction is much simpler in SMEs since they may not be concerned much about various stakeholders like large enterprises. Atkinson et al. (1997) state that there are many enterprises that only work closely with some main stakeholders like suppliers, employees and customers to make their business process more efficient.

“Stakeholder theory promotes a practical, efficient, effective, and ethical way to manage organizations in a highly complex and turbulent environment” (J. Harrison, Freeman, & Abreu, 2015). This means that stakeholder theory aims to promote better business relations between firms and their stakeholders that can be measured by value creation financially or non-financially. Nonetheless, Harrison and Wicks (2013) point out that some value cannot be captured in economic metrics regarding stakeholder relations.

“Stakeholder theory provides a vehicle for connecting ethics and strategy” (J. S. Harrison & Wicks, 2013). Stakeholder theory is the reciprocity of each stakeholder during and after the firm’s value creation. This reciprocity is a sort of synergy because it suggests harmonizing an equal treatment of stakeholders (Freeman, Harrison, Wicks, Parmar, & Colle, 2010; Tantalo & Priem, 2014). The synergy is between the two groups of stakeholders, primary and secondary (Freeman, 2004), in which they will have different interaction and impact depending on the way they treat each other. This idea is known as a generalized exchange which consists of “how a firm treats its customers influences the attitudes and behavior of the firm’s employees, and how a firm behaves towards the communities in which it operates influences the attitudes and behavior of its suppliers and customers” (J. Harrison et al., 2015). Further, it must be added that in a healthy economy, all stakeholders are considered to be customers. Customers in the sense that they expect to gain an
opportunity cost for doing business with a certain firm rather than others (J. S. Harrison & Wicks, 2013).

Regardless “stakeholder theory advocates for treating all stakeholders with fairness, honesty, and even generosity” (J. Harrison et al., 2015), heterogeneity arises from a practical perspective between certain groups which makes it difficult to determine the best interest among the theory (J. Harrison et al., 2015). For this reason, the allocation of money, time or other resources must be well-balanced among the stakeholders, for instance, by paying more attention to employees at operational level or a certain segment of suppliers or customers, otherwise, it discourages them, (J. Harrison et al., 2015). Likewise, we should also include that this heterogeneity pops up among peer firms within the same sector and target groups of customers because even in this regard, stakeholders could be relatively different.

On the other hand, stakeholder theory must not be confused with Corporate Social Responsibility (CSR), because of the latter aims at improving business ethics/morals for improvements of business relations mutually and not for creating/boosting policies related to social or environmental matters. Unlike CSR, stakeholder theory does not need any kind of financial support to be promoted or mandatory guidelines to be compelled (Freeman et al., 2010; J. S. Harrison & St. John, 1996; Hill, Jones, & Hill, 1995; Jensen, 2002, p. 200; Phillips, Freeman, & Wicks, 2003; Walsh, 2005).

Generally, stakeholder theory helps in a context of business difficulties those companies that have been developing an effective exchange of information for decision making in which harmonization of stakeholders’ interest is handled in the most effective, efficient, flexible way over time (J. S. Harrison & Wicks, 2013). In other words, this situation becomes a competitive advantage for firms that did not establish or implement stakeholder relations (J. Harrison et al., 2015). For this reason, an unsatisfied/unhappy stakeholder is a sign that the firm must improve something because there is an interdependency between firm and stakeholders (J. S. Harrison & Wicks, 2013). For instance, in most of the cases, retention of customers is more beneficial for both parts because it is easier to expand and improve business than starting from scratch with a new one (Forbes, 2013).
2.5 The stakeholder mindset

In this part, we aim to start developing our research model based on literature with a view to identifying important stakeholders for SMEs and their impact on PMS use and improvement.

Primary or definitional (Freeman et al., 2010) stakeholders are those stakeholders who participate and impact directly on the firm. Without them generally, business activity would be over (Clarkson, 1995). On the other hand, the secondary stakeholders are those who do not have any direct engagement with the firm activity, but who might influence positively or negatively on definitional stakeholders, therefore, affect their behavior and interest towards the firm (Clarkson, 1995). Figure 3 below shows the distribution of stakeholder around a firm.

![Figure 3: Creating value for stakeholders](image)

*Figure 3-Creating value for stakeholders Source: R. Edward Freeman, Jeffrey S. Harrison, and Andrew C. Wicks 2007. Managing for Stakeholders: Survival, Reputation, and Success. New Haven: Yale University Press. Originally from a conversation with Robert Phillips. Source (Freeman et al., 2010).*
Chennell et al. (2000) try to evaluate the success of SMEs by assessing value delivered to stakeholders. They identify several “value adding areas”, including customers, suppliers, employees, owners/shareholders and community. Measurements are divided into three categories, which consists of process measurements from the operational level, key performance measurements from tactical level and success measurements from a strategic level. Each level is making a contribution to the upper level and at last value delivered to the final stakeholders.

2.5.1 Owners or financiers
They are the actors who have the ownership of the firm and their function is to provide the resources (monetary) for developing the business activity. Most of the time, a private person provides an initial capital from a personal source, but the source could also be from a financial entity, bank. Owners or financiers expect some kind of monetary return for their investment and depending on the organizational structure (in a SMEs or large firm) might directly have control of the company resources based on the money provided (Freeman et al., 2010).

Waśniewski (2017) states that owners/shareholders are mainly the ones who have a big impact on management and decision-making for small businesses. Lukviarman (2008) demonstrates that owners/shareholders’ expectations and values are mostly concerned with financial measurements like cash flow, sales growth, ROI, ROE, etc. These measurements are considered as leading indicators for estimating value and expectations from owners/shareholders.

2.5.2 Employees
Employees are the actors who contribute to a firm with the skills of transforming the business resources into outcomes for satisfying customers’ needs, either goods and services. Their interaction with firms is mainly established by contractual agreements where generally monetary reciprocity is given. Their participation in the decision-making will depend on the organizational structure and their role in the level of responsibility (Freeman et al., 2010).

SMEs normally have a fewer number of employees, which requires more workload and responsibilities on these staff. This means that there might be more focus on employees’ training, motivation management and performance evaluation (M. Hudson, Smart, & Bourne, 2001). However, if enterprises do not meet employees’ expectations in terms of working conditions,
employees will refuse to gain more technical skills and knowledge to keep contributing. Therefore, meeting employees’ satisfaction is quite important in this case (Atkinson, et al., 1997). Moreover, letting employees know that jobs are secure and enterprises are operating well is a way to increase employees’ satisfaction, which indicates that communication on enterprises’ condition through financial figures is important (Krol, 2007).

2.5.3 Customers and suppliers
Customers and suppliers are the stakeholders with whom the firm owns a reciprocity action. Customers are those who buy firm’s value (goods or services) and suppliers are those who provide raw materials or resources for the generation of the firm’s value. These two actors generally are expecting to receive fair goods or services or return for the price agreed during the economic transaction. The function of customers and suppliers is to evaluate the firm in different manners (Freeman et al., 2010).

SMEs might have a smaller number of customers compared to large companies, which indicates that they need to try their best to keep a high level of customers’ satisfaction to gain competitiveness (M. Hudson, Smart, & Bourne, 2001). Atkinson et al. (1997) illustrate that if the products and services do not cover customers’ requirements, they will not purchase them, which indicates that the design of PM such as customers’ satisfaction measures if enterprises live up to customers’ expectation or create value to customers or not. Hudson et al. (1999) illustrate that SMEs have started to have customer oriented measurements as well, which aims to help SMEs gain a competitive edge. Therefore, measurements such as quality of products and delivery time are used to measure if these requirements have met customers’ expectations or not since these measurements all have an impact on customers’ satisfaction. Furthermore, one financial measurement used in enterprises can also be relevant to customers, which is to analyze cost. It can help SMEs reduce costs and offer a competitive price for customers to meet customers’ expectations (Hudson et al., 1999).

According to Krol (2007), one of the essential long-term relationships that SMEs need to handle well is a relationship with suppliers. On the one hand, Hudson et al. (2001) identify that one of the measurements SMEs may use is to measure the quality of suppliers to help them choose good
materials and components. On the other hand, Harrison & Wicks (2013) indicate that suppliers’ expectations and satisfaction can be increased through the utilization of measurement like payment speed. They further use a term “supplier happiness” and try to come up with a way to evaluate it by considering both cost and account payables.

2.5.4 Local community

“The local community grants the firm the right to build facilities and, in turn, it benefits from the tax base and economic and social contributions of the firm” (Freeman et al., 2010). The array of individuals in a community expect firms to behave correctly as a person and also its impact should not do damage to the environment (Freeman et al., 2010). In addition, local community plays an important role as well when it comes to the development of enterprises. It may be concerned about tax issues and chances of employment of an enterprise (Harrison & Wicks, 2013), which indicates the importance of the utilization of some financial measures and job rotation in enterprises for economic growth in the region.

Therefore, our research model is based on what we have found in literature and studies where PM is used to reach stakeholders’ expectations or measure value added to stakeholders as per Figure 4 below.

![PMS in SMEs](image)

*Figure 4-PMS used in SMEs which are affected by managing different stakeholders’ expectations.*
The importance of Figure 4 is that it gathers the main PM that is meant to be used in this paper’s research on how PMS are being used and developed in SMEs’ business process by managing different stakeholders’ expectations.
3 Methodology

This chapter aims at demonstrating the methodology used in this study, including research methodology, research approach, research design, data collecting methods, selection of companies/participants, research ethics, operationalization, method of data analysis and trustworthiness.

3.1 Research Methodology: Qualitative

In this thesis, we have decided to work with a qualitative research method. The main reason is that this thesis seeks to understand the phenomena of the chosen topic. In other words, it is not meant to manipulate the topic to study (Patton, 2001). This qualitative research is meant to have first-hand information at strategic and tactical and possibly operational level to understand how PMS are used and developed in SMEs’ business process by managing different stakeholders’ expectations.

Furthermore, another reason for working with the qualitative method is that quantitative research method is more concerned with examining the existing theories or adding more to the existing ones through assumptions, whereas qualitative research is about theories explanations based on collected data, concepts and definitions (Bryman, 2016). Bryman et al. (2016) further make a comparison between quantitative and qualitative research, in which the most significant different features of those two are the way to guide the researchers. Quantitative research is closely related to measurable numbers which aim to test theories while qualitative research is more related to words, images, face-to-face interaction/conversations which intends to come up with theories explanations, however, it is hardly measurable. Nonetheless, it is possible to use both methods (called hybrid) but this research claims to use mainly one of them because it is less time-consuming and might less lead to a disbursement of huge monetary funds (expensive) (Driscoll, Appiah-Yeboah, Salib, & Rupert, 2007).

3.2 Research Approach: Abductive

The research design is based on the abductive approach in this thesis. Abductive approach is the combination of the inductive and deductive method. According to Balarabe Kura (2012) and Alsulamy (2015), a deductive approach is going from the theory to practical collected data. In this
regard, it is quite similar like going from top-down or from general to specific: the theoretical framework is used for supporting the paper’s idea and field work is the moment when the hypothesis stemmed and developed from limited theory is tested (Alsalamy, 2015; Balarabe Kura, 2012). Through this way, a deduced conclusion will be reached from the research question. On the other hand, unlike deductive approach, inductive has a bottom-up path/direction in which the collected data built the theory in which the data collection is done through qualitative ways, such as interviews (Collis & Hussey, 2013). This means that the research is data-driven and this helps to understand how this particular sample of selected actors perceive a particular environment/context.

Abductive approach has the features of both deductive and inductive approach. It aims to facilitate theories and empirical situation, which examines theories, empirical findings and analysis constantly (Dubois & Gadde, 2002). Fereday & Muir-Cochrane (2006) describe it as a hybrid of inductive and deductive approach and illustrate that the feature of this hybrid is to supplement research questions through integrating deductive analysis based on literature and being open to the possibility of generating ideas from data collection by utilizing inductive approach at the same time.

Therefore, this thesis starts with theoretical framework formulation to identify existing theories relevant with our topic through access to online databases in “One search”, “Google scholars” and “Research Gate” for consulting articles, books and research. Then, it aims at developing a research model and matches the theory part with empirical findings by interviewing a certain number of employees from 2 companies. Consequently, the analysis focuses on explaining how PM is related to stakeholders for the chosen companies based on theory and empirical findings and how PM is used and improved in SMEs’ business process by collaborating with stakeholders to meet their expectations. These are done through abductive approach, which means a constant reviewing of literature, empirical finding and analysis. Finally, the conclusion is made to see if those relations in research model based on literature are practical in specific SMEs and explore the possibility of identifying more actors in the pre-established research model.
3.3 Research Design: A Case Study

The purpose of research design is to decrease the risk of collecting data and relating it to research question. In other words, research design helps to elaborate a procedure to link collected data to research questions (Yin, 2009). For this reason, in this thesis, we use a case study exploring the chosen topic because there is limited knowledge about our research question and most of the research are mainly focus on from financial and big firms perspective rather than financial and non-financial measurements and SMEs. However, Yin (1994) stated that besides case study there are other options for the elaboration of cases studies: “include experiments, surveys, histories, and the analysis of archival information (as in economic studies)” (Yin, 1994). And there will always be advantages and disadvantages related to an alternative depending on 3 conditions:

a) “the type of research question,

b) the control an investigator has over actual behavioral events, and

c) the focus on contemporary as opposed to historical phenomena” (Yin, 1994)

With regards to the case study, we are aiming to answer the questions “what and how” within how research questions. Nonetheless, it is worth mentioning that a case study “is an empirical inquiry that:

- investigates a contemporary phenomenon within its real-life context, especially when
- the boundaries between phenomenon and context are not clearly evident” (Yin, 1994).

For the reasons mentioned above and based on the topic and problem discussion, this study utilizes qualitative research approach through an explanatory case study for finding an answer to our research questions (with regards to “how”) and aimed to understand from the first-hand experience more about the topic.

Since this study starts with discovering the interesting theory regarding PM in MCS from a stakeholder perspective in SMEs, we explain existing studies and theories regarding this field in detail. Further, a research model is made based on theories to reveal the relations between PM and stakeholders. Then, data is collected through a case study with two SMEs to investigate the design and use of PM from a stakeholder perspective. Finally, analysis and conclusion are made
accordingly to the collected data from literature and empirical findings to explain theories. The overall research design is done through a case study to connect collected data with our research question and research model based on a literature review to have a better understanding of how PM are used and developed with the help of stakeholders in practice.

3.4 Data Collection Methods

This thesis contains different data collecting methods, explained in details as follows:

3.4.1 Primary Data

Primary data is the alternative to data that is not available in secondary data. Secondary data cannot help researchers to study a research problem (Ghauri & Grønhaug, 2005). The way for collecting the primary data is through normally “observation, experiments, surveys (questionnaires) and interviews” (Ghauri & Grønhaug, 2005). In this paper, the primary data collection has been carried out by visiting and interviewing collaborators in their company premises. Concretely, the interviews will be semi-structured and transcripted (only the core answers are immediately transcripted during our meetings) because it has a framework related to the topic and aims to give the interviewees the opportunity to talk widely (Bryman, 2016) whereas other options such as surveys could significantly mean too many questions for reading and answer.

Furthermore, according to Kvale (2003), interviews as the main mode of qualitative research help researchers get to know interviewees’ thoughts and opinions to a larger extent. It is the process of generating and producing knowledge. During the process, it is a qualitative research that seeks to analyze how people think, behave and experience so that we know how things work with the connection of interviewees’ social experience (Alshenqeeti, 2014). Therefore, interviews are selected as the main method of collecting data to support this qualitative research to investigate how companies are run through using PMS and how people are involved in this to manage and control the process. Additionally, information from companies’ websites online is collected as well for analysis. Two companies are chosen to be part of the study. One is a medium-sized enterprise consisting of about 100 employees in Växjö and the other one is a small sized enterprise including around 30 employees in Alvesta. Out of privacy issues, the names of these two companies are not disclosed. They are displayed as company A and company B, which represents the medium-sized
and small-sized enterprises respectively. These two companies vary in sizes and are perfect for our topic since they are both manufacturing companies and each represents one type of the company, small and medium-sized, to investigate how PM and stakeholders are related. This is scheduled as visits in person and interviews are aimed at interviewing representatives of different levels. Schedule for interviews is distributed between April and May 2018. Visits to the companies were in Kronoberg County.

3.5 Selection of Companies and Participants

It is clear that the dataset used for the theory building is not going to be the same as for our case study. Therefore, in this thesis, selection of sample is crucial and made by applying the existing literature in order to contribute to the theory with our work (Eisenhardt, 1989) which means, it will affect the results.

As per our research question, “How PMS are used and developed in SMEs’ business process by managing different stakeholders’ expectations?”, two SMEs in manufacturing industry from Kronoberg county in Sweden have been selected for collecting empirical evidence for this thesis. Besides the justification given at the beginning of this paper with regards to literature gap for choosing the topic, the main reason for working with SMEs within manufacturing industry in Sweden is that the authors of this paper have been dealing with suppliers from this country when working for previous employers. At the same time, during that work experience, it was found that manufactured products in Sweden are synonymous with high quality regardless of the price. On the other hand, it was also learned that most of the raw materials for manufacturing are imported from China, and one of the authors is from China and has background on taxation studies in which international trade with Scandinavian countries is an ongoing topic for strengthening bilateral relations. Therefore, there was interest to learn about the way of working with those suppliers and future challenges that SMEs and suppliers might face in the near future.

The criteria for selecting these two SMEs is that they have been performing well financially for the past few years. Therefore, it is interesting to investigate what is their experience of handling PMS from a stakeholder perspective and help SMEs deal with PMS utilization and improvement by collaborating with various stakeholders. It is worthy to mention that no random selections have
been made because it was known that those companies have PMS already implemented (Ellram, 1996) as per our first communication by email where it was mentioned the interest of studying their PMS. In other words, it is a purposive selection of sample (Teddlie & Yu, 2007). Furthermore, the case selection was based on the lack of sources where it might be consulted on the topic of how PMS is used and developed in SMEs within this region.

Additionally, to be able to have a complete overview of how PM is used and developed in SMEs’ business processes based on stakeholder theory from different views and perspectives, we have chosen to do interviews with different employees within these two enterprises. This includes CEOs, purchasing managers, production managers, marketing/sales managers to help us understand how business processes are like in their companies, as per Table 1 below. Furthermore, they will provide us with aspects about how PM are used in the processes regarding their fields of work and how to use and improve these PM from a stakeholder perspective. The reason for choosing to conduct interviews with different participants in the same company is that we want to ensure the reliability of our study. Therefore, we try to contact employees in different positions to obtain and collect data from different perspectives so that the result analysis can be accurate.

Table 1-Participant profile per years. Self-elaboration

<table>
<thead>
<tr>
<th>Company</th>
<th>Position</th>
<th>Years in the company</th>
<th>Years of experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>CEO</td>
<td>2.5</td>
<td>10</td>
</tr>
<tr>
<td>(Since the 1960s)</td>
<td>Marketing and Sales Manager</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Production Manager</td>
<td>1.5</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Purchasing Manager</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Company B</td>
<td>CEO</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>(Since the 1980s)</td>
<td>Production/Sourcing</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Production Engineer</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>
3.6 Research Ethics

This thesis could entail the concept of integrity and beneficence. The main reason is that empirical data is collected for further analysis through personal interviews to a selected number of people, in which integrity is our “commitment to genuine search for knowledge and understanding, following recognized principles of honest research conduct... but also encompasses dissemination and communication of results not only to research participants but more broadly, in ways that permit scrutiny and contribute to knowledge, and that preserve and protect the trust participants place in researchers” (Australian Council for International Development, 2017). Whereas, beneficence is the contribution we aim for others keeping in mind the concept of “do no harm” (Australian Council for International Development, 2017). This means that the elaboration of this thesis is pursuing contribution without damaging or hurting any of the collaborators/participants through field word, for example disclosing confidential information or statements that could have a negative impact against them immediately or at long-term.

3.7 Operationalization

Operationalisation is defined as “the translation of concepts into tangible indicators of their existence” (Saunders, Lewis, & Thornhill, 2009). The purpose of operationalization is to establish constraints regarding the research topic related-definitions. In other words, operationalization brings clarity with regards to the concepts. In this aspect, the Table 2 below shows the concept the interviewees were asked in order to put into context the research and ensuring that all it has been well understood before answering the questions of the interview, and at the same link the concepts of the literature and research question.
**Table 2- Operationalisation in this thesis. Self-elaboration**

<table>
<thead>
<tr>
<th>Concept</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General information</strong></td>
<td>Understanding the profile of interview through a brief introduction</td>
</tr>
<tr>
<td>1. What is your main job within this company?</td>
<td></td>
</tr>
<tr>
<td><strong>SMEs</strong></td>
<td>Awareness of SMEs and its role in global economies</td>
</tr>
<tr>
<td>2. What do you think are the advantages and challenges of SMEs?</td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholders as part of PMS use and improvement in SMEs and business process</strong></td>
<td>Identifying the stakeholders with whom interviewees deal directly and indirectly in their daily work</td>
</tr>
<tr>
<td>3. What do you usually expect from your suppliers? What do you usually expect from your suppliers? How do you meet their expectations? (This is related to the supplier in our research model to discover how suppliers information is relevant to utilization and improvement of the company’s PMS)</td>
<td></td>
</tr>
<tr>
<td>4. How do you evaluate the performance of managers or operational employees? How do you communicate with them? (This question aims to investigate how employees have had an effect on PMS use and improvement, which is related to employee perspective in our research model)</td>
<td></td>
</tr>
<tr>
<td>5. How do you communicate with your customers? Do you get customers’ feedback regularly? How? (This is to examine customers’ influence on PMS use and improvement and it corresponds to customers perspective in research model)</td>
<td></td>
</tr>
<tr>
<td>6. What role do you think community plays for your company? (This is related to community aspect in research model)</td>
<td></td>
</tr>
<tr>
<td>7. Do you think owners/stakeholders have a big influence on PMS use and improvement? In what way? (This question is to find out how owners/stakeholders have an impact on PMS use with regards to our model of owners/stakeholders perspective)</td>
<td></td>
</tr>
<tr>
<td>8. Do you think there are other stakeholders who may have an impact on your company’s performance? (This aims to explore more possibilities of discovering more stakeholders that have an influence on PMS use and improvement)</td>
<td></td>
</tr>
<tr>
<td><strong>PMS as part of MCS</strong></td>
<td>Comprehending the key role in interviewee individually and PMS at different levels</td>
</tr>
<tr>
<td>9. What do you think of the performance evaluation at your level? Do you think they are effective for monitoring and controlling the business process?</td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Questioning basic and simple question about what the interviewee expects from our work, or if there are any other challenges or concerns regarding PMS and SMEs</td>
</tr>
<tr>
<td>10. What do you expect from our work or us?</td>
<td></td>
</tr>
</tbody>
</table>
3.8 Method of Data Analysis

In the last two decades, researchers have been having several advantages for elaborating analysis of studies supported by computers (Merriam & Tisdell, 2015). According to Merriam and Tisdell (2015), computer-assisted qualitative data analysis software (CAQDAS) does not always help with the analysis of qualitative data, however, it is useful for categorizing and organizing data collected by researchers.

Due to the size of samples to be collected on this paper, it has been decided not to use software such as NVivo, MAXQA or Hyperresearch. Instead, the structure for analyzing the empirical data is as follows into three parts (Merriam & Tisdell, 2015):

- Semi-structured interviews will be transcribed during the personal interviews immediately in Google Docs. In this process, the answer to the questions is transcribed but also it is captured the emphasis to certain answer the interview gives.
- Data identification. This consists of making some remarks regarding the collected data (Bryman et al., 2016). In other words, coding certain parts of the interviews for our own purposes.
- Categorization of data. This part consists of the categorization of the data with the purpose of easy analysis at a later stage.

To be able to get accurate information from our interviews’ participants, we had transcripts of the answers so that we can organize the data later on in our writing process. During the data organizing process, we try to find relevant information regarding our topic and categorize each part accordingly, including different stakeholders and their influence on PM use and improvement. These categories are divided according to different stakeholders to help us identify main stakeholders for SMEs. We collect information regarding each category about PMS to find out what it is like in practice and then analyze with the combination of literature and our research model. After presenting the empirical findings and analysis of each company, we have an overall
discussion of these to companies to build our final model of how SMEs can use and improve PMS through managing different stakeholders’ expectations.
3.9 Trustworthiness

As this is a qualitative research, reliability and validity are the two aspects of a credible research.

3.9.1 Reliability in this thesis

Reliability “refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings” (Saunders, Lewis, & Thornhill, 2009) that can be addressed by the 3 different questions:

1. “Will the measures yield the same results on other occasions?
2. Will similar observations be reached by other observers?
3. Is there transparency in how sense was made from the raw data?” (Saunders et al., 2009).

In other words, reliability means that study “can be repeated with the same results” (Yin, 2009) by another researcher over time. Likewise, in order to reduce errors during the replication of the study, some procedures should be followed. Therefore, in this paper, the steps to follow are communication by email and individual visits and interview sessions in the premises of the SMEs. Firstly, the companies were contacted by email and the thesis topic was mentioned. Secondly, a personal introduction session for briefing the purpose of our study and answer clarifications. Thirdly, interview sessions were handled.

Main communication by email to request for collaboration with the companies is shown in Appendix on page 76.

3.9.2 Validity in this thesis

Validity is a complex term to be defined, however, in this paper it “refers to the degree to which one is measuring what is intended to be measured” (Ellis, Hartley, & Walsh, 2010) or “the degree to which an instrument actually measures what it sets out to measure” (Wimmer & Dominick, 2010). Likewise, keep in mind that this is a case study in an empirical research, 3 set of a logical representation of statements are followed for the quality of this paper:

- “Construct validity: establishing correct operational measures for the concepts being studied
• Internal validity (for explanatory or causal studies only, and not for descriptive or exploratory studies): establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.

• External validity: establishing the domain to which a study's findings can be generalized” (Yin, 1994)

Therefore, this thesis constructed validity has been done through a case study with 2 SMEs handled and considered sufficient and reliable empirical data/sources for elaborating thesis analysis and conclusions. External validity is underpinned by the most suitable literature sources on the topic in order to elaborate the research.
4 Empirical Findings and Analysis

This chapter describes the empirical findings based on data collection through interviews and analysis of our topic by reviewing collected data and literature.

Since this paper is a study through a stakeholder approach, information regarding different stakeholders and their impact on PMS use need to be presented and analyzed respectively. Thus, we choose to combine empirical findings and analysis for each company to ensure a clear explanation for each part including customers, suppliers, employees, owners, community, and so forth. The consolidation of empirical findings and analysis are described all together for easing the flow of the paper and avoiding repetition of concepts throughout. Therefore, the two companies are presented and analyzed individually regarding their backgrounds and, to conclude, a summary will be written by gathering both companies.

4.1 Company A

4.1.1 General Information

Company A is a Swedish SME founded in the mid-60s and has more than 50 years of experience as contractor manufacturer for different customer segments: medtech, industry, energy and moldtech. The company was settled down in Kronoberg County by a Swiss national who was well-experienced on quality and precision on the production of complex and critical components for other companies in manufacturing.

In the early years, company A became one of the first companies to highlight new quality standard in its market sector. During the 60s and 70s, the company built bigger and more comfortable premises for smoothing manufacturing process and improve productivity through the installation of newer machinery. Implementation of computerization in production arrived in the 80s with Computer Numerical Control (CNC) and Computer-Aided Design and Manufacturing (CAD/CAM). The transition from the first to the second generation of family business occurred in the 90s. The 2000s was a relevant change in the company because Medical Technology solutions were intensified and production turned out to be 24 hours split into 3-shift work. From the 2010s onwards, company A has been expanding to modern and green premises in which cleanliness and friendly environmental production is more present than ever. Likewise, in the last few years, the
firm has been strengthening its product portfolio and business collaboration in the industry and undergoing the latest change of management.

Having said the above, company A works with several raw materials such as zirconium, inconel, stainless steel and titanium. The company offers the following products and services: metal cutting, grinding, measurement, packaging and logistics. The supplier’s countries of origin are mainly from Europe but especially Russia.

The company’s philosophy can be summarized as follows:

- Quality with no compromises: The company shall be the market-leading supplier of small, complex critical parts.
- Way to today: a company which is to revolutionize the industry

On the other hand, Company A’s organizational structure has 3 levels well-distinguished: strategic, tactical and operational. At the strategic level, the owners and shareholders are making decisions about the company’s business although it all is based on what the CEO reports about company’s performance and challenges. Tactical level is the middle management who coordinates other employees. As in any other organizational structure is to implement and ensure that company strategy is fulfilled in order to achieve the goals. Furthermore, middle management is reported from operational level for further evaluation and reporting to the strategic level. Operational activities are mainly in production and the teams are basically formed by engineers and specialists for operating the industrial machinery. They have continuous interaction before initiating the production of any order so that business processes are done on the most efficient and effective as possible.

4.1.2 Findings and Analysis

Company A starts its production activity when an order has been received. Likewise, for this specific company, the results of interviewing the 4 participants will be consolidated.

Customers

Production starts when customization of products is processed and order has been approved and placed for meeting time schedules. Therefore, customers are an essential part of the business
process. Every order is made based on customers’ specific requirements. During this process, sales and marketing unit is the unit which is on the front-line dealing with customers, and meanwhile, it needs to work and communicate with some internal business units such as production to make sure that customers’ requirements are well fulfilled. On the other hand, it supervises directly project management. Due to this distribution, sales and marketing are in continuous communication with finance to evaluate and ensure that ongoing but especially new customers are financially healthy to meet contractual obligations (risks reduction).

According to Hudson et al. (1999), In order to be competitive as an SME, measurements such as products’ quality and delivery time are essential to be improved to meet customers’ expectations. Company A does this by measuring order intake, new projects and delivery accuracy. These are in line with evaluating the capacity and capability to be sure of how many projects they can handle per year so that customers’ requirements such as quality and delivery issues will not be compromised (CEO Company A, 2018; Sales and marketing manager, 2018). This is also concerned with sales and marketing unit communicating with customers regarding rejecting orders as per the following PM (Sales and marketing manager Company A, 2018):

- Production capacity: the company’s production is never compromised in terms of lead times and quality regardless of how economically attractive an offer may be. Production is never run above its possibilities.
- Customers with small orders per year: the company has some customers which barely place orders once per year and volume is not profitable enough for covering cost (machinery set up for a specific type of batches). Therefore, the company decides not to offer its services.

After deciding to take new orders, the production line is there to ensure that quality of products is as per specification, however, it is known that sometimes production must stop and amended on the benefit of customers and continuous improvements of business processes. Therefore, production manager communicates with sales and marketing unit for notifying the customers if needed (Production manager Company A, 2018).
All these measurements are used to live up to customers’ expectations regarding quality and delivery. For SMEs, keeping a high level of customers’ satisfaction and reach customers’ expectations is important since SMEs normally have a smaller quantity of customers (Hudson et al., 2001). There are both risks and advantages when it comes to a smaller amount of customers. When there are just a few numbers of customers, company’s development is totally dependent on these customers. However, the CEO illustrates that they strive to make sure that every customer does not exceed 20 percent of the total revenue, which is one of their targets. This is a way of reducing risk to some extent. There are some customers may account for the bigger percentage of the sales and their business relations must be always enhanced by informing customers about their limitation on productivity for maintaining product quality. However, the advantage of having a smaller amount of customers is that communication between the company and its customers can be arranged more often and easily. In company A, customer meetings are held every year to communicate with existing customers (Sales and Marketing Manager, 2018), which is beneficial for maintaining good relationships with customers and getting to know what customers expect from them through communications.

**Suppliers**

The requirements of suppliers can vary depending on what is bought from suppliers. Cash flow should be on time and communication regarding product and service quality should be measured on a monthly basis (C. A. CEO, 2018). Confirmation of orders with price and delivery date is expected from suppliers. Hudson et al. (2001) state the importance of assessing suppliers’ performance for SMEs. For different suppliers, this company has a code of conduct for guiding to help them assess and choose suppliers. Sometimes, in order to work with new suppliers, it is necessary to pay a visit and to see how the supplier’s process look like so that they can share the right information with each other (Purchasing Manager, 2018). This is also part of the process during which suppliers’ performance can be assessed.

On the other hand, Harrison & Wicks (2013) indicates the importance of suppliers’ satisfaction and expectations. In company A, suppliers may have different expectations. Some suppliers may need a forecast for raw materials from the company in some cases while some suppliers may need a
process drawing on their process regarding this company’s requirements or demands. These all need close collaboration between suppliers and the company, which means that information sharing is really important in this process. In most cases, shared information can be gathered for data collecting and analysis. The purchasing manager demonstrates that PM regarding purchasing needs to be effective. In company A, during the process of interacting with suppliers, delivery time, process time and price are three important PM. Suppliers’ assessments are made when contacting them for the first time. The internal supplier meeting is held every year to help the company update these assessments. Moreover, the company follows suppliers’ complaint as well for a better collaboration with them (Purchasing Manager, 2018), which is also a way of finding out suppliers’ expectations for better collaboration. Thus, suppliers and this company have an impact on each other to help each other improve when it comes to purchasing process and relevant PM.

**Employees: Management**

According to all the respondents in this company, the management team has a strong influence on the use and improvement of PM. The discussions regarding PM on if the measures are the right ones and if there are clear definitions on how to measure these are made during the management team meeting (C. A. CEO, 2018; Production Manager, 2018; Sales and Marketing Manager, 2018). PM that employees can not have an influence on should not be measured. As long as there’s an overall direction, the most important thing is to focus on activities on daily basis towards that direction. The company culture is important during the process. Daily meetings in production and each group are held and weekly meetings are held among management team members for discussion of work progress (C. A. CEO, 2018).

As Hudson et al. (2001) indicated, a smaller number of employees can make SMEs more focus on employees’ training, motivation and performance assessment. Company A has been boosting employee knowledge and teamwork spirit by providing more educational training since the new management took over the company. Out of all the respondents, they all illustrate that they have some forms of training or workshops regarding their work based on employees’ needs in line with the business development. Nonetheless, there is no specific PM for evaluating employee performance regarding this.
At the operational level, the task is on production manager who has joined the company no longer than 18 months ago and has been able to start implementing daily based measurements in the team of around 75 specialists. Nonetheless, he points out that the process of re-approaching people’s way of working takes time and work environment is improving after empowering employees responsibility on their direct and daily task. The PM in this regard is by workshops in the region with an average of 36 hours per year. Furthermore, the previous dashboard in production plant has been updated with more details to be tracked in which employees must record through team leaders. The daily meeting is held and they try to reduce the reaction time when things happen. There are plenty of PM in the production line, including production time, machine setup time, scrap rate, etc. Most of these are decided by the management team. However, at the same time, good ideas regarding PM from other employees can also be considered. Every employee needs to be responsible for what they have produced and they need to be involved in the process.

The CEO and the production manager both mention the term “gut feel”, which can be counted as an informal measure based on experience and relevant information. Sometimes, even though there is no specific PM used, it is still possible to feel if things are going well in the company (C. A. CEO, 2018; Production Manager, 2018). This can not only be used for the management team for decision making, but also for operational employees when it comes to technical machines and their productivity.

Owner/Shareholders

The organizational structure in Company A is split in the family owner, board of directors, CEO, management team leaders and operational employees.

The CEO joined the company around 3 years ago and elaborated at the further level the previous PMS through the business processes. Nowadays, there is plenty of PM but for owners who mostly concern about the financial terms must be on the top due to the continuous self-financing in the company. This means that the company has close control of ROI, ROCE and ROE. According to the CEO, growth is always related to investment. The company needs to have a good margin to be able to grow. As Lukviarman (2008) states, financial measures are most relevant to
owner/shareholders’ expectations and value. Since it is necessary to report back to the board of directors and owners in company A, managing and monitoring different PM well to make the final financial figures such as revenue and ROI grow is of significance. This can be done by coordinating and make good use of other different PM to ensure the final results regarding financial growth can be promising.

Community

The CEO thinks that community plays an important role for companies. The community needs to be able to provide a good environment for companies to grow such as competence workforce and companies are responsible for making sure that the community is developing (C. A. CEO, 2018). This is concerned with finding manpower in the region and evaluate the capability of the manpower to recruiting talented people. As per some meeting with other companies in the industry, it has been calculated that as per ongoing year, there is a need of approximately 250 specialists in manufacturing industry in Kronoberg. As Harrison & Wicks (2013) stated, communities concern about companies’ employment situation and financial status. Communication between communities and SMEs is really essential.

Competitors or other companies

The CEO explained that it is not easy to look into other companies’ performance. The only figures that can get easily access to are those figures published such as balance sheet. All respondents in this company have indicated that they are interested to see how other companies are doing regarding their management. The CEO states that it is also interesting to see the business and ownership structure of other companies, which may have an impact on the structures of PMS. For this company, it provides precision parts for different industries. However, there are other companies that only work as suppliers for one specific industry. Thus, sometimes the company tries to see how the market is like for these companies and how they have changed. Nonetheless, the most important thing is to work and collaborate with these segments or industries, which is part of strategic decisions (Sales and Marketing Manager, 2018).
4.2 Company B

4.2.1 General Information

Company B is a Swedish SME which offers steel solutions. Founded in the mid-80s, this company has more than 30 years of experience as contractor manufacturer for different companies within automotive, ventilation industry and tailored metal-components throughout Europe. The company works with several raw materials such as hot rolled and cold rolled steel, sheet metal, stainless steel, alloy steel, galvanized steel and copper. Company B offers the following products and services: prototype development, punched/laser cutting, bending, welding, painting, mounting and logistics.

The supplier’s countries of origin are mainly from Europe and China but a few from Brazil for cooper’s supplies. Likewise, in order to meet customers’ demand, the company’ employees are around 30 people.

In the most recent history of the company, it has undergone new ownership when the new owner and CEO took over the administration in 2014. Since then, the company has set the goal for trying to refine and optimize production further and established the following based on employee participation (translated from Swedish):

- The company shall be the leading player in the market for customers who need cost-effective solutions and environmentally friendly products in sheet metal
- Through efficient, well-trained staff and modern machines, the company will be the leading partner to customers who need complete solutions in sheet metal
- Our Code of Conduct: Responsibility, Team spirit, Profitability
- Responsibility & Respect: Employees at the company are a team that takes responsibility for their business
- Profitability & Quality: The company have the right staff in the right place to deliver the best results
- Team spirit & cooperation: The team can handle everything

On the other hand, Company B’s organizational structure has primarily two levels due to its size: strategic and tactical & operational. At the strategic level, the owner is the only person who is
reported about business performance and challenges and takes decisions regarding the company’s business. Nonetheless, the owner gives free room for decisions regarding operational activities. The team at tactical & operational level is basically formed by engineers and specialists for operating the industrial machinery. They have continuous interaction before initiating the production of any order so that business processes are done on the most efficient and effective as possible.

4.2.2 Findings and Analysis
The company’s business process mostly starts with customers’ orders, for which they can either make customized products to meet different customers’ specifications or provide their own initiated products. Raw material and components are bought from suppliers and then production process starts. Finally, products are delivered to their customers. PM are used at different levels to monitor, control and improve this process. As the CEO indicated, they are controlling and measuring plenty of figures on daily basis and they expect to get something back from these figures, which means that the cost of measuring these figures should not exceed the benefit of measuring them. To be able to use and improve these measurements, several stakeholders are involved.

Customers
Everything is made according to customers’ demands in this company. New customers and lost customers are measured. It is important to retain and build a good relationship with existing customers. Measurements such as delivery time every week and the number of products per customer are used to meet their demands. As Hudson et al. (1999) indicated, SMEs have begun to be more customer oriented and try to increase their satisfaction by meeting their main concerns like delivery and quality. In this company, sample questionnaires of 10 questions are sent to customers to get their idea of what can be improved and why they think like that. The company tries to get customers involved in the process of how to develop the company to fulfill their requirements in the future.

Suppliers
For SMEs, it is challenging to handle relationships with suppliers since those raw material suppliers may have a big amount of customers. Therefore, there should be skilled people to communicate with these suppliers to show interest in collaborating with them (C. B. CEO, 2018). This requires a presentation of showing how the company is doing to prove that it is creating value and the company expects to get materials with good quality. During this process, the selection of suppliers is significant, which has an effect on the material and components’ quality (Hudson et al., 2001). Several factors need to be considered such as high quality, transportation and delivery issues, or even politics depending on the regions or countries. For instance, the company needs to consider the transportation costs or the volume to handle transport costs to make decisions on which markets to choose to work with. Furthermore, tax or customs issues as an uncertain factor influence the companies as well, especially for this kind of SMEs. Hence, the company needs to react quickly through methods like maybe changing materials made in Europe mainly to tackle this sort of issues (C. B. CEO, 2018). It is also necessary to go to the suppliers’ companies or markets sometimes to see the production process to get to know if materials are of good quality, which is also a way of showing the company’s interest to suppliers’ companies. This means that suppliers’ performance needs to be evaluated as well by the company and this sort of information can be shared by suppliers. The negotiation of price may have an impact on the quality of materials received in the end. Thus, communication in this process is extremely important but sometimes it is not transmitted formally (by quotations) and found when specialist start working on the production.

On the other hand, payment issues are important for suppliers. As Harrison & Wicks (2013) have indicated that payment speed is essential for meeting suppliers’ expectations. The CEO pointed out the payment issues as well. This requires the company to have a good reputation regarding paying on time and have skilled people to handle this. In this regards, the CEO added that communication for sorting out any misunderstanding is an initiative that must come from the company towards suppliers in order to maintain good business relations.

Employees
The CEO states that measures must mean something for the employees in their daily work. This is what Globerson (1985) has illustrated that employees are the main user of these measurements. The use and improvement of PM is mostly concerned with employees. According to the CEO, for manufacturing SMEs, there are a lot of technical employees who are skilled at how to use machines and how to manufacture something according to the receipts they make. Therefore, they are interested in figures related to machines like how many hours they have as outputs. Since the CEO give room to those employees to be creative and to make decisions regarding this, they have a big impact on the PM use and improvement at tactical and operational level.

However, when it comes to business management, these employees do not have that much interest in knowing too many financial figures such as investment and turnover in detail as long as they know that the company is growing and doing well so that they have security, which is as Krol (2007) says that employees need to have a sense of job security. Nonetheless, the weekly meeting is held for communication between top management and tactical/operational level to try explaining some figures on how they did last week, some financial figures such as turnover on how the company is doing and some internal and external quality matters to give them a sense of job security. Moreover, there’s an electronic board in the lunch room in the company where employees can see what they have achieved every day and what targets they have for every group. Measurements are shown in green, yellow and red lights to indicate if their jobs are done effectively to reach the predetermined targets. Thus, employees need to strive to reach for green lights. Morning meetings are held among production managers and their groups to discuss the performance on the previous day regarding these targets. During working time, production managers as group leaders have the ability to rearrange the employees in different groups depending on the workload in different groups (C. B. CEO, 2018; Production Engineer, 2018; Production/Sourcing, 2018). This is mostly done depending on how much work and how effective each group is.

**Owner/Shareholders**

The owner is also the CEO of this company. He has a big impact on PM use and improvement. As Waśniewski (2017) stated, for small business, owners normally have a big impact on decision-
making process. The owner in this company is the only one who makes decisions at a strategic level and he looks at figures such as ROI and turnover to get to know if his investment pays off (C. B. CEO, 2018). He further stressed the importance of cash plan and he thought that every company needs to have a good control of cash plan. He gets to be informed of the cash planning every week and this can be measured at different levels. As Lukviarman (2008) illustrated, owners and shareholders’ expectations and values are mainly concerned with financial measures like cash flow and ROI. On the other hand, the owner wants to make sure that those figures the company use are important for employees and meaningful for him as well. He empowers the employees to make decisions and get involved in developing the company at a tactical and operational level. Additionally, he tries to make an influence on improving the company’s PM by monitoring employees’ actions. Since employees in manufacturing SMEs may come from traditional production, they are more interested in machines and technical skills and show no interests in remaining a good relationship with customers in the beginning. Thus, employees’ training is really important in this case to let them be more engaged in the business development. For this specific company, the owner has invested in training approximately 100 hours per year for each employee and the results on improvements have been shown after around one year and a half. The most important thing regarding providing training for his employees is that he expects and encourages them to change and have new ideas for improving business processes.

On the other hand, some of the PM in the company can be informal. For example, to maintain the relationships with customers, the owner asks employees to contact and communicate with their customers more in person and then he measures their performance by asking the customers how they see his employees (C. B. CEO, 2018). This is a way of increasing customers’ satisfaction and also encouraging employees to have a better relationship with their customers. This is a part of improving PM by using informal PM by the owner.

Community

Community plays an important role in providing well-educated and skilled people. In this regard, the CEO stated that his company has continuous collaboration with the community about what the ongoing needs of his business, and most likely the industry, are facing: future manpower for
the operational level and to attract qualified people to the region at tactical level, but with international experience for instructing/building the future generation of company management.

Harrison & Wicks (2013) states that communities have concerns about companies’ employment situation and development. However, for SMEs, the staff rotation is normally low (Production Engineer, 2018). Once there is an employee quitting a job, it is hard to find a proper candidate for the job. Thus, community plays an important role in providing skilled employees for SMEs. As per the CEO’s personal experience, he sees that in 10 years the industry may certainly be facing problems relating to employing the correct people because current manpower is aging, and working in a production plant is not a task that can be learned in a few months. Therefore, education is required on how to use machinery and avoid waste production, learn some metrics for programming machinery and learn English because most of the machinery manuals are in English. However, most importantly, manpower must be well-trained for their own safety and for their colleagues when executing tasks in production lines. This is why his company collaborates with professional schools for people who study in three-year programmes and, in the meantime, start to learn practical work twice per week during their first academic year and increases to three days during their last year of studies. Meanwhile, the communities in the region have started to actually ask what these SMEs need in order to develop. For unemployed people, community starts to interact more with companies and ask what kind of training these people need so that companies can employ them (C. B. CEO, 2018). Companies can provide them with skills training with the help of employees in these companies, and the community is in charge of language teaching if these people lack language skills. Then, based on what they have learned and their performance evaluation from the given information, companies get to decide if they are capable of handling a specific job in their organizations.

Additionally, with regards to qualified people at the tactical level, it refers to who will be prepared for taking over the company when he decides to retire. He considers it important because people must feel secure in their work and SMEs have the capability to do that with the right management. Therefore, it is critical to start working on the basic pillars for recruiting people with interests and skills for working in the industry and transmitting the gained knowledge to them. Through this
method, the acquisition of SMEs would be avoided by big firms that, at a later stage, might opt for relocating production without considering their impact on the region.

Competitors

According to the CEO, benchmarking is important, as it is necessary to investigate how competitors are doing and what their business ideas are, especially for manufacturing supply companies. A comparison can be made based on examining what competitors do to achieve their business ideas. For this company, the CEO finds out that most of the good competitors’ business ideas in this industry are about only doing simple parts products without considering production of finished products, and they are skilled at what they do, while his company makes finished products. Therefore, since companies are different, he would take parts of his departments to compare with some parts of other competitors, such as comparing painting departments to see how other companies do this and what they measure (C. B. CEO, 2018). When comparing companies at pretty much the same size in the same industry, the turnover or sales can vary significantly. Therefore, it is essential to make comparisons regarding some surface figures and investigate how competitors succeed in doing well in this industry so that improvements can be made to reach substantive figures like them as well.

4.3 Summary

In this chapter, a discussion of how these two SMEs use and develop PMS by managing stakeholders’ expectations is presented. This summary is for developing our final model on what needs to be considered by SMEs to develop their use of PMS when it comes to stakeholder management.

After collecting and analyzing data in both companies, it is clear that our initial model of PMS in SMEs based on literature has been correct, however, it has also been identified that the selected SMEs are thinking ahead of what was initially expected. This means that these specific SMEs are measuring and controlling every single business process internally, but at the same time monitoring customer satisfaction and are aware of the rapidly changing business environment. When SMEs handle stakeholders’ expectations, there are several factors which have an impact on PMS use and improvement that need to be considered. Hence, we include these in developing our
final model to identify which stakeholders have an influence on PMS and what SMEs can do to improve their PMS by managing stakeholders’ expectations.

Figure 5, below, shows our revised research model, where the green arrows mainly link the missing aspects in our previous PMS model with stakeholders, based on literature. In addition, the stakeholder that both companies certainly highlight is competitors.

Company A and B are both manufacturing SMEs. As manufacturers, they have ISO and AAA certification needed for downstream (customers) and upstream (suppliers) within their supply chain. They both offer customized products and aim to involve customers in the cycle of product generation for boosting effectiveness. Likewise, there are some similarities of PMS that they use and develop with received information from different stakeholders. However, since the size and ownership structure vary in these two companies, there are some differences as well.
From a customer’s perspective, both companies have their ways of measuring customer satisfaction and pursue to get customers involved, either through product development to ensure the fulfillment of their requirements, or through customer, meetings to discuss possible improvements that customers would like to see in their companies in the future. This is a proof of what Hudson et al. (1999) indicate: that SMEs have begun to be customer-centric as well.

Further, both companies have stressed the importance of product quality, and delivery issues are important to manage and reach customer expectations and improve customer satisfaction. However, we find out that the utilization of PM can vary to ensure good quality and fast delivery. In order to do this, PM such as the number of orders per year based on customer requirements and production capacity needs to be used to evaluate how many orders the company can handle every year to make sure that a customer’s purchasing experience will be good. This part of the process consists of collaboration with customers and coordination of internal communications.

From the supplier’s perspective, both companies make an effort to have more interactions with them. Information regarding the selection of suppliers and of the suppliers’ performance evaluation is commonly gathered as data to help companies develop their own ways of analyzing and selecting suppliers. Suppliers come from their country of origin or other countries. However, sometimes, their raw material costs may be affected by political decisions. This becomes a risk on supplies and maybe even customers, which affects import and export. Hence, it is important for SMEs to be able to assess or evaluate potential risks in this regard.

From the employees’ perspectives, both companies attempt to empower their employees by getting them involved in business development. However, since Company A and Company B have different sizes, the degree of empowerment differs. As mentioned before, the smaller the companies are, the easier it is to empower employees. Company A is larger in size, and thus has three clear levels of employees. The management team has more power over choosing and improving PMS. Whereas, operational employees have the opportunity to come up with new ideas regarding PM. On the other hand, in Company B, since its employee number is smaller, the tactical and operational levels are joined together. The owner of the company strives to ensure that those using PM at an operational level are meaningful to them. Thus, the most relevant PM to them
must be something they are interested in and they can make an impact on. Furthermore, as for manpower needed at the operational level, measuring attitude and aptitude when hiring people are important. This is difficult to measure. For the recruiting process, personality and IQ tests are relevant, but the correct attitude is shown at the workplace and only later identified after a few working days. Furthermore, manpower diversity is an advantage for exploring new markets when economic recession arises in their business markets. For instance, through its employees, Company A explored new markets in the Balkans region, and Company B knows that some other SMEs did the same with some Chilean/Swedish workers as well. Therefore, multicultural and international personnel would lead to mid- or long-term opportunities to explore new markets in this rapidly changing business environment. Likewise, if diversity is an advantage as mentioned above, an employee’s commitment to a company’s culture is essential, regardless of personal culture. Diversity should not be a problem, rather, it is an advantage of enriching knowledge.

From an owner’s/shareholder’s perspective, there is no doubt that they are concerned more about financial figures. Even though SMEs may have different sizes and management styles, the effort of managing other PM from different perspectives, such as from the customer’s, is the same. Only through continuous improvement of basic PM, the financial outputs will pay off in the end. Financial measurements are critical in SMEs because the cash flow in firms is important for self-financing projects. These two SMEs used to be family owned. Because of the culture and traditional technical minds, they used to focus more on production and technical things, without considering the usefulness of PM. When new owners and new management took over, this started to change. PMS was developed and improved substantially from different perspectives to help them grow.

From a community’s perspective, both companies emphasize the importance of collaboration with communities. The community expects SMEs to develop well to facilitate the local economy. At the same time, the community should be able to support SMEs development (reciprocity). The community is responsible for attracting, finding and educating sufficient manpower for these SMEs and supporting future management to attract people to the region.
Overall, for the use and improvement of PM, SMEs are supposed to be able to identify key stakeholders first. The utilization and development of PMS is dependant upon these stakeholders and the information collected from them. Based on the literature, studies show that SMEs have a smaller number of stakeholders to deal with, including most primary stakeholders (e.g. Hudson et al., 1999; Chennell et al., 2000). However, in our study, we identify that there is one more stakeholder, competitors, that SMEs are concerned with and may have a considerable impact on how SMEs measure and improve their PMS. Further, it was found that this is important to benchmark in the same industry when it comes to PMS and goal setting, especially for financial growth figures such as sales growth. Moreover, there is an unwritten code for respecting competitors. SMEs do not steal them from competitors unless there is a competitive open application for recruitment. We consider that both companies could help each other in order to sharpen their PMS and knowledge sharing. Company B, especially, could provide an extend lesson-learned in its business processes for maximizing resources and empower people for decision making at the operational level. Whereas, Company A could share their experience on searching for new markets in emerging economies, for instance, Balkan Region. According to all participants, comparing business processes within the same industry is interesting because it would be beneficial for all companies to learn from good competitors on how to manage and improve business processes. This can be done through comparison of the same departments or sectors in the same industry regarding specific matters in production processes.
5 Conclusion

In this chapter, there are two sections. Firstly, we will draw a conclusion based on our findings and an analysis regarding our topic to answer the research question and specify our research contributions. Then, we will present suggestions on further research to encourage further studies in this field.

5.1 Conclusion and Research Contribution

This research shows insights on how PMS are used and developed in SMEs’ business processes by managing different stakeholders’ expectations. As the intention of this paper is to go further than design and implementation of PMS in SMEs as mentioned by some researchers (e.g. Hudson et al., 1999; Chennell et al., 2000; Hudson et al., 2001; Waśniewski, 2017), the authors of this paper decided to go for the use and improvement of PMS in SMEs’ business processes by managing different stakeholders’ expectations.

A research model based on the research question has been developed through the combination of a topic-related literature review on SMEs, PMS and stakeholder theory. Based on our literature review, we discovered that SMEs were considered to only be concerned about primary stakeholders, including customers, suppliers, employees, owners/shareholders and the community. Therefore, we developed a research model based on literature and tried to find their connection with some key PM. We aimed at studying main stakeholders’ reciprocity on PMS by having as reference Freeman et al. (2010) findings. This research model presents which stakeholders are important or more relevant for SMEs and how they should manage these stakeholders to use and improve their PMS from a theoretical perspective. At the same time, it has also guided us to find and discover more information regarding PMS improvement through managing stakeholders’ expectations in practice. After reviewing the literature and our research model, we have found many different aspects of a range of stakeholders and their connections with PMS use and development. To answer our research question on how PMS are used and developed in SMEs’ business processes by managing stakeholders’ expectations, we explored different possibilities that are caused by stakeholders, which has an impact on PMS use and development in practice. To start with, SMEs should be able to identify key stakeholders around
their business environment who may have an influence on PMS. This is an important step for managing stakeholders’ expectations later on to improve the utilization of PMS.

During our empirical data collecting process, we found that these two SMEs are certainly doing remarkably good work, and this is reflected in their sales growth and ROI, which consequently also leads to the conclusion that they have a good control of cost (direct and indirect). Further, besides offering internships in their offices, they have more interest in collaborating with students who are doing research as interesting as this thesis topic. For this reason, they would like to extend collaboration with educational technical schools further than only offering training positions to students.

With regards to the monitoring and control of business processes in SMEs, they use PMS which is tailored to tackle the continuous changes in the business environment so that corrective actions are taken to get back on track during their business activity. This involves tailoring internal procedures in a shorter period of time as well. In this regard, it is worthwhile to mention that out of the work experience of the collaborators and authors of this thesis, we are aware that in large firms these changes would take a remarkably longer period of time and go through several internal departments before a green light is given. On the other hand, it is found that both companies let all employees participate internally for the use and correction of PMS. Daily and weekly meetings are the cornerstones of their continuous PMS development and knowledge sharing about the lessons earned.

Furthermore, these SMEs are also an example of IT resource maximization on PMS analysis. While their IT tools to record operations for further analysis are similar to the ones in large firms, they are aware that some manual tasks need to be done and no Business Intelligence is needed at this stage due to the well-structured data. Their volume of data collection is huge for PMS analysis but the task is done in-house every quarter with their current setup of IT tools. This means, for instance, that their IT tools are enough for tracking redirected shipments, linking goods and transport POs (purchase orders), inventory control, and reconciliation. However, they are also aware that Business Intelligence could slightly help them with this task, but they are experienced with the challenges of working with IT external service providers for data analysis (communication
and excessive back and forth). Nevertheless, it is worthwhile to mention that one of the companies is also working on an ERP upgrade and is aware that the work must embrace the whole end-to-end process, knowing that testing the different scenarios’ takes longer than just a few days or months.

Having said that, after collecting empirical data, besides primary stakeholders, we found out that SMEs are also trying to benchmark or want to know how other SMEs are doing. This means that competitors or other companies can be counted as one of the main stakeholders for SMEs as well. Nonetheless, it is challenging for SMEs to do this, but they can strive to improve by learning from each other through networking of SMEs management without being members of associations. Further, they remark that the main purpose of benchmarking SMEs’ PMS is not to replicate business models, get involved with customer segments, or disclose competitor ideas. On the contrary, the SMEs are interested in how to develop their current set of PMS by consulting or sharing knowledge with SMEs in their own or any other industries. Therefore, as SMEs are labelled as being only concerned about primary stakeholders in literature, we discovered that competitors are of significance for SMEs when it comes to PMS development in practice. We consider that this is our theoretical contribution of this thesis.

Moreover, in our empirical findings and analysis, we have discovered several different aspects of each stakeholder management. Some of these aspects are highly relevant to regional factors such as family ownership of SMEs, political factors, and regional trading issues. These aspects are mostly uncertainties and they may affect SMEs’ decision making with regard to PMS monitoring. Consequently, in order to survive in the competitive market, SMEs need to be flexible and react quickly to changes. Thus, to answer our research question, we can say that SMEs use and improve PMS by considering and managing these different aspects of stakeholders to reach their expectations. These findings and analysis are our empirical contribution which help SMEs realize the importance of managing stakeholders from different perspectives.

5.2 Outlook and Further Research

We consider that this paper has been well-elaborated and the findings are remarkable based on the selected sample of companies to study. However, at the same time, we would like to
encourage future researchers to increase the number of samples for obtaining deeper insights through extending the number of samples to another level, such as focusing on a higher number of manufacturing companies in Alvesta and/or Vaxjo. The main reason is that there is not available information (at least in English) about companies in both cities, although we consider that some information might be in government census and tax offices and accessibility may be limited to auditors. Through this way, the limitation of taking Kronoberg County as a reference would be more specific and probably be used as a benchmark for even developing further studies.

On the other hand, before suggesting what fields might need further research, we recommend to carefully distinguish SMEs in different sectors. This means that when reading information about the number of SMEs (increase on a yearly basis, but at the same time, some others could shut down after short periods of time: one or two years), it must be considered that SMEs could be any startup funded by EU funds or the private sector that when funds are over, commitment among the initiators/creators is over as well, and most likely those SMEs are within IT services.

To conclude, our recommendations for further research would be on studying how PMS are used and developed by managing stakeholders respectively, which is to study on one specific stakeholder and its different aspects such as:

1. How SMEs assess country risk/instability for expanding new customer or supplier market. E.g. in Brazil. Is there any strong relation between SMEs associations, or does it depend on international trade through the chamber of commerce?
2. How Lean principles are implemented in SMEs with regards to the advantages of implementations in large firms. Work with Scrum framework within Agile methodology might also be possible in SMEs.
3. Investigate how feasible the business model is in Gnosjö kommun and how SMEs share temporary employees and evaluate their performance. We recommend this based on an interesting insight that Marketing and Sales Manager from Company B gave us during our interview and it seems there is a relevant number of companies to study.
4. Studies on how second generations of family businesses can tackle the new business environment in order to avoid being bought/acquired by larger firms or competitors. How can it affect PMS use and development?

5. Lastly, further research on how a community should act and contribute regarding human force (at the operational and strategic level) and their performance evaluation, and what the role of actors, such as recruitment agencies, is for attracting talent to the region, and remaining competitive and keep boosting local development for the next 10 years (by 2028).
6 List of References


Appendix

7.1 Request for collaboration with LNU Students

Note that communication was standard regarding confusion for understanding PMS, therefore, we approached by saying MCS instead.

Subject: Request for collaboration - LNU Students

From: Danli Li <danli5060@gmail.com>
Date: Wed, Apr 11, 2018 at 9:04 AM
To: 

Dear 

We are Danli Li and Aaron Flores from China and Spain respectively and are doing our master in Business Process Control and Supply Chain Management at Linnéuniversitetet in Växjö, Sweden.

We are contacting you to see if it is possible for us to do a case study about [Redacted] to elaborate our Master’s thesis. Our topic is about "Management Control Systems for Companies". This topic aims to identify ways to improve management control systems for the company and make the business process more efficient and effective for the benefit of the company. In this regard, we want to know what the business process looks like in [Redacted] and how you run and manage the process. We could positively contribute with our expertise and experience as well regarding suggestions on management control. So hopefully, it is possible for us to do interviews with you for our thesis work. It can be done through email, Skype or interviews in person. It will not take up too much of your time.

Looking forward to hearing from you at your earliest convenience.

Best regards,
Danli Li and Aaron Flores

7.2 Positive response for collaboration with LNU Students

From: 
Date: Wed, Apr 11, 2018 at 9:11 AM
To: Danli Li <danli5060@gmail.com>

Dear Danli,

Let's find a date where we could meet and discuss how [Redacted] could support you in conducting your master thesis. I'm available the following dates:

- 23/4 10,00 - 12,00
- 26/4 10,00 - 12,00

Med vänliga hälsningar / Best Regards