Jens Hutzschenreuter

Management Control in Small and Medium-Sized Enterprises

GABLER RESEARCH

Entrepreneurship

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„Entrepreneurship" ist ein noch relativ junger Forschungszweig, der jedoch in Wissenschaft und Praxis stetig an Bedeutung gewinnt. Denn Unternehmensgründungen und deren Promotoren nehmen für die wirtschaftliche Entwicklung einen zentralen Stellenwert ein, so dass es nur folgerichtig ist, dem auch in Forschung und Lehre Rechnung zu tragen.
Die Schriftenreihe bietet ein Forum für wissenschaftliche Beiträge zur Entrepreneurship-Thematik. Ziel ist der Transfer von aktuellen Forschungsergebnissen und deren Diskussion aus der Wissenschaft in die Unternehmenspraxis.

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Indirect Control Forms, Control Combinations and their Effect on Company Performance

With a foreword by Prof. Dr. Malte Brettel

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Foreword

Management control is one of the key management functions, but has been rarely addressed in academic research. Amongst other reasons, this disinterest might be rooted in the typically negative connotation of the term ‘control’. Academics rather prefer topics like strategy development, planning or organizational topics over control. Paradoxically, academics and managers both are highly interested and concerned with visions, strategies and plans; however, the majority of them fail or are not implemented successfully. One of the key reasons for this is the fact that the implementation and the subsequent control conducted by managers are often neglected.

Managers could delegate the execution of plans and strategies to their subordinates; however, they have to take into consideration which activities can be delegated and how the progress should be controlled. Neither science nor practice has been able to provide acceptable answers to this open issue; thus there is a significant research gap. The research gap in the context of small and medium-sized enterprises (SMEs) is even larger – control here has been explored only in a considerably small number of studies. In the setting of small and medium-sized enterprises previous research has already demonstrated that management control is of greater importance than planning activities. This highlights the relevance of the research problem on how control should be executed in SMEs again.

The thesis of Jens Hutzschenreuter specifically addresses this research topic. For his research he aims at “enhancing the knowledge about management control forms in general, with special emphasis on SMEs” and achieves this in a very interesting way.

The thesis of Mr. Hutzschenreuter is not only theoretically well-founded, it also presents an extensive empirical testing of the theoretically developed assumptions. The results are of particular interest for both researchers and practitioners. Typically, managers employ direct forms of control by defining results and processes for subordinates although these control forms show only limited effectiveness. At the same time, the effect of indirect control mechanisms like employee selection and the company culture's impact on the employees' behavior is often neglected. The performance of indirect management control has shown a consistently greater impact than direct forms of control. Moreover, the results show a broad applicability also in other organizational settings.

Mr. Hutzschenreuter has not only written a thesis that is highly sophisticated from a theoretical point of view which will guide future researchers in this domain, he also produced very interesting findings which are helpful for the demanding managerial practice.

In this respect, I wish that this thesis will receive the broad audience it deserves.

Malte Brettel

Preface

This study was accepted as a dissertation in the summer of 2009 at the Faculty for Business and Economics of the RWTH Aachen University. I know that this would not have materialised without the comprehensive support of various people.

In the first place, I would like to thank my doctoral father, Prof. Dr. Malte Brettel, for accepting me as a research assistant. At his chair, he has developed an amazing working culture that fosters individual development and at the same time provides guidance on how to tackle the numerous difficulties in a doctoral thesis. By doing so, he significantly supported this thesis. Secondly, I want to express my gratitude to Prof. Ian MacMillan, DBA, Professor of Management at the Wharton School, University of Pennsylvania. I thank him for the opportunity to participate in his Visiting Scholar Program in the year 2008. The discussion with him and his team contributed significantly to deepen the understanding of the topic and this thesis. Furthermore, I would like to thank Prof. Dr. Rüdiger von Nitzsch for taking over the role of the second advisor.

My colleagues at the Chair of Business Administration for Engineers and Scientists also contributed to this dissertation in various ways. The traditional "Lehrstuhltage" facilitated great discussions and fun both during the day- and night-time activities. The work together with my colleagues Tessa and Sebastian for the automotive innovation network car Aachen e.V. was challenging but at the same time associated with a lot of fun and great results.

I would also like to thank all my friends in supporting me during the work on the dissertation. It was great to have the assurance that I would have their support even during difficult times. I particularly thank Andreas, Jens, Kathrin & André, Manuel and Thomas who were always there to listen to my worries.

Above all, I am deeply thankful to my family: to my sister Anke who helped me with her strong analytical focus in the statistics section and with her fruitful advice during the writing phase, and to my parents, Brigitte and Paul Hutzschenreuter, who contributed with their ability to motivate me and with their tremendous support throughout my education. Hence, I dedicate this thesis to my family, with the conviction that it would have been impossible to come this far without their timely help and support.

Jens Hutzschenreuter

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AMOS	-	Analysis of Moment Structures
AoMJ	-	Academy of Management Journal
AoM	-	Academy of Management
AVE	-	Average variance extracted
BC	-	Behavior control
CC	-	Cultural control
Cf.	-	Compare (latin: confer)
CFA	-	Confirmatory factor analysis
CI	-	Condition index
CoC	-	Coefficient of Congruence
df	-	Degrees of freedom
ed.	-	Edition/editor
EM algorithm	-	Expectation Maximization algorithm
EVA	-	Economical Value Added
GDP	-	Gross Domestic Product
LISREL	-	Linear Structural Relations
MCS	-	Management control system
NEF	-	New economy firm
PDF	-	Portable document format
PLS	-	Partial Least Squares
PC	-	Personnel control
RC	-	Results control
SEM	-	Structural equation model(ing)
SME	-	Small and medium-sized enterprise
p./pp.	-	Page/pages
SPSS	-	Statistical Package for Social Sciences
TQM	-	Total Quality Management
US(A)	-	United States (of America)
VIF	-	Variance inflation factor