SCHOOL OF GRADUATE STUDIES

AN ASSESSMENT Of MANAGEMENT CONTROL SYSTEM IN CASE OF BGI ETHIOPIA PLC.

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ABBERAVIATIONS

MC	Management Control
MCS	Management Control System
RC	Result Control
BSC	Balance Scorecard
KPI	Key Performance Indicator
SP	Strategy Planning
PMS	Performance Measurement Systems
RMS	Reward and Motivation System

ABSTRACT

In general, business environment is becoming more complex and competitive in nature. Companies in different industries are upcoming with several differentiated products and characterized by high quality with the level best required level of innovative skills. These all devotions and efforts are aimed of existing successfully in the industry they belong. Walsh et al, (2005) argue that, appropriate design and use of MCS elements have a direct relationship with the success of the organization in competitive market environment. This paper is aimed at assessing BGI Ethiopia on three selected elements of management control system specifically, evaluating the practice through identifying and relying on theoretical propositions derived from the literature and finally, to recommend on how to improve these elements in their organization. The General objective of this study was to assess BGI Ethiopia's on selected elements of management control system. The design of the study was descriptive in nature. Primary data and secondary data were used in this study. Since the total populations of employees were known, the student researcher used stratified random sampling techniques for the study. The student researcher conducted the research by taking the sample determination method developed by Carvalho (1984). Accordingly, Eighty employees were selected and presented them with closed-ended questions. However unfortunately, seven employees hadn't returned the questionnaire and an interview was conducted with the manager. The results show the following facts: *Strategy Planning*: the strategic planning practice being used by BGI Ethiopia is in line with the theoretical propositions derived from the literature and control by using goals is highly emphasized. *Performance Measurement and Evaluation:* Performance measurement system should in corporate any financial and non- financial measure that provides incremental information on managerial efforts. The *reward and incentive* are not used very significantshould give due attention for these problems to take corrective measurement. The system in use extensively consists of monetary rewards; both short term and long-term incentives and do not use non-monetary incentives in greater extent to motivate its employees and the system seems incapable of achieving result control, since they influence employees' actions by taking rewards to desired results.

Key Words: - Management Control System, Strategic Planning, Performance Measurement and Reward and Incentive.

CHAPTER ONE

INTRODUCTION

1.1. Background of The Study

In today's manufacturing industry, customers are becoming more and more demanding on timely deliveries, zero defects and short-lead times which are becoming the norm in almost all industries. Furthermore, market environment has come to be competitive; markets are becoming more international, dynamic and customer driven. According to Krumwiede D, (2007) customers are also wanting more variety, better quality goods and services, including both reliability and faster delivery. Technological developments are occurring at a faster pace, resulting in new product innovation and improvement in manufacturing industry processes. The resulting competitive environment requires low cost and high-quality products in increasing varieties. Walt, (2004), argue that, one way to achieve this is when well defined and integrated management control system constituting proper basis of result control is established. The main objective of the management control system is, by contrast, to help the company's senior management to guide the company towards its strategic objectives and, specifically, make choices in relation to the creation of economic value. In other terms, the management control becomes strategic control when it calls, systematically and in advance, the attention of management to the strategic consequences of the daily operations.

The management control system, thus extended with regards to its boundaries, can therefore be defined as the structured and integrated system of information and processes used by management to support the planning and control activities. According to Anthony J. Berry (1995), MCS is processes that embody the techniques and mechanisms which companies' employ to pursue objectives, accomplish goals and successfully pursue strategies. It also integrates motives assist decision making, communicating objectives and provide feedback.

Management control system is represented by its mostly used elements. These are strategic planning, budgeting for internal reporting and decision making; incentives and motivations; performance measurement and evaluations; product costing, pricing and cost control; and waste minimization. These techniques are not mutually exclusive, rather may complement and reinforce each other in an effective management control system. The paper wil consider the three elements of management control system stated above; strategic planning, performance measurement and evaluations and incentives including motivations which are major variables of result control. According to Walsh et al, (2005), result controls are an indirect form of control issue, since they influence employees' actions by taking rewards to desired results. In addition to monetary compensation, the rewards include job security, promotions, autonomy and recognition.

Walsh et al, (2005)argue that result controls are essential prerequisite for employee empowerment since they provide a substantial amount of autonomy to the employees. The term ``management control systems" means the use of a number of techniques in organizations to observe and evaluate employee performance against certain management targets. Therefore, conventional management control systems focus on getting better operational efficiency. But as operational efficiency is no longer adequate to create sustainable competitive advantages, management control systems must be expanded to managerial practices that cultivate employee cooperation and creativeness in the discovery and development of new business opportunities. One of the most important issues in management is controlling. Control is one of the tasks of managers Otley & Fayol, (1999).

Management control system (MCS) is use as a tool for controlling in administration. Obviously, managers need criteria to determine how well they do and to control their performance. Management Control Systems (MCS) as defined by Anthony R. a., (2008),cited by Lang (1997),is the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization s objectives. MCS is a system used in an organization which collects and uses information to evaluate the performance of the organizational resources that will eventually influence the behavior of the organization to implement organizational strategies. According to Drucker (1954), in today's organizational structure, managers use more flattered structured, to increase both efficiency and effectiveness. Flattered organizations are more agile to environment changes and are more flexible. The responsibility in the case of decision making is spread across the organization. The decentralization because departments are more effective and measuring performance based on organization objectives is easier. Decentralization by increasing motivation cause increase in performance. In conclusion, although the decentralization may cause loss of control; however, by emerging new technologies and knowledge like knowledge workers cause increase in performance. Another important aspect of management control system is transfer pricing. It is one of the most important issues in the strategic and operational management practices of large business organizations. According to Seed

(1970,), ``there is possibly no single accounting topic that consumes more management time and energy ... than the business of establishing acceptable transfer prices". Several empirical surveys have been carried out on transfer pricing practices in the non-services sector, and these studies sought to establish the methods used for pricing transfers in the manufacturing industry. However, despite of the importance of the services sector, the transfer pricing practices in the services sector have not been studied enough Oylere(2000). Transfer pricing is used by decentralized transnational corporations as a strategic instrument to tackle the issues of brand proliferation. The strategic objectives of international transfer pricing fall into three areas: taxation-related objectives, internal management-oriented objectives, and international or operational objectives which were surveyed by Cravens (1997). One of the traditional management control systems is the budgeting process, which has served as the primary internal measurement of performance. Traditional budgetary control is proving increasingly unsuitable for the rapidly changing environment of the modern business world. Budgets become rapidly outdated during a budget year. Many organizations state the budget is already out-of-date at the start of the budget period because of the time taken to put it together. Although there have been attempts to keep budgets up-to-date by more frequent revisions (e.g rolling budgets) the general experience is that it is difficult to keep the focus on annual financial targets during the revision processes. Budgeting is proving to be a very limited management tool and is sometimes made more rigid by tying performance bonuses to budget achievement Otley,(2007).

1.2. Background of Company

In 1922, Addis Ababa was just beginning to see the first sparks of technology when Saint George the nation's first brewery was founded. The founder was Mussie Dawit Hale from Belgian and later sold it to a German company. The brewery stands near the Mexico square, Addis Ababa and occupies an area of 20,000 square meters of land on the same site it was 90 years before. It was a fine and a big building and it started off as one of the pioneers in the Ethiopia's industrial development.

The factory started with 300 employees who worked in two shifts for 24 hours. They started with machine that operates by hand and foot and were done by direct human labor. Transporting of raw materials to the silo, fermenting of the malt, boiling the barley, filtering the beer and filling the bottles and other were done manually. The management staffs and leading technicians were all were foreigners. During its first year of operations 200 bottles which were half liter size were produced daily.

In 1952/3, an Ethiopian company took over the brewery and was organized as a shareholding entity, with the larger share owned by Emperor Haile Silasse. In 1970's the name of the brewery was changed to "Pilsher Brewery" and later as "Addis Ababa Brewery". St. George brewery is once again privatized. The factory is now owned by BGI an internationally acclaimed brewing company that operates in many countries all over the world.

It has excellent reputation in producing quality beer and brought St. George to the same standard. BGI invested 700 million Birr in restructuring St. George brewery factory. Currently it has $175,684,800 million capitals. In 1989, BGI Ethiopia opened the sister company in Kombolcha and Hawassa. As of 2018 [2011 EC] data, it has 940 permanent employees in St. George Addis Ababa, Hawassa 375 and 430 Kombolcha divisions. St. George division has 940 employees. Besides, this division has temporary employees. Kombolcha division, employees 277 permanent employees. The head quarter is in Addis Ababa, the St. George division, Kombolcha division and Hawassa Division are administered under the Castel Group and currently its own Raya Beer Co. and Zebidar Brewery which own 93% shares.

1.2.1 Product

BGI Ethiopia Currently is producing bottled beer and un bottled beer. These products are almost the same except their alcoholic content and price difference. Under the bottled beer it produces, three type of beers; St. George, Castle and Panachi. The two St. George and Castel beer Draft is expressed as Regular larger beer, Draught fresh beers [which are fresh and pasteurized].

1.2.2 Target Market

There is a potential local demand for the products in beverage industry. Even though this is the case, BGI Ethiopia exports significant quantities of its product to the rest of the world. It exports to Europe; London, Rome, Parries, Frankfurt and Sidney, Washington and other African countries. For the domestic market, it divided the country in to 8 zones to distribute its products. The division is based on potential demand. This are, central, Addis Ababa, west1, west2, east, south, north, and north east and the Addis Ababa division constitutes 45% of all the domestic markets.

BGI Ethiopia is an international company engaged in the brewery business for years operating in several countries, and it's now operating in Ethiopia. It is one of the companies that introduced competition in the country breaking the traditional consus building approach on pricing and distribution of goods. The study was, therefore, takes BGI Ethiopia as a case study to demonstrate the design and the use of elements of MCS.

1.3. Statement of The Problem

In general, business environment is becoming more complex and competitive in nature. Companies in different industries are upcoming with several differentiated products and characterized by high quality with the level best required level of innovative skills. These all devotions and efforts are aimed at bringing success to the industry they belong. According to Walsh et al (2005), appropriate design and use of MCS elements have a direct relationship with the success of the organization in competitive market environment.

According to Hopper et al (2004), by setting proper management control system, the firm can gain coupled economic rewards, more efficient allocation of resources supplemented by new initiative such as total quality management, continuous improvement and enhanced benefits to employee.

Moreover, internal control become more sensitive in adjusting operation to market information and communication would improve along with advance in information technology, relatively transparent, modern market-oriented accounting system would be established in order to assist firms in the decision-making process, reporting and overall achievement of its objectives. But, the design, application and existence of better management control system is aggregate contribution made by commonly used elements.

The effectiveness of *performance measurement system* is also an issue of growing importance to industrialists and academicians. Many organizations are investing considerable amount of resource in implementing a measure that reflects all dimensions of their performance (Mc Adam A Bailie, 2002). Different literature generally classifies *performance measure* in two broad categories: *Financia*l and *Non-Financial*. The financial measures have been criticized because they provide a picture that is too narrow and have tendency to manipulate data. Moreover, factors such as non-Financial measures are not taken in to account Shield`` & Kaplan, (1997).

According to Anthony R. a.(2001), The financial measures encourage a short-term action that are not in the companies' long-term interest; the pressure to meet current profit level, the more likely the unit manager will be to take short term action that may be wrong in the long run. Many companies do not have a formal mechanism for updating the measure to align with changing in strategy. As a result, most companies continue to use measures based on yesterday's strategy Anthony R. a.(2001). Furthermore, a various performance measures that have been developed over the years, creates difficulties for firms to understand and know the right performance measures that fit their operational activities Jonson & Lesshammar (1999). According to Bonner & Sprinkle, 2002 cited in Steven J. Condly(2003), *Reward* and *compensation* control intends to motivate and increase the performance of individuals and groups within organizations by attaching rewards to the achievement of goals or task. Various incentive programs target either the individual or the group. Brickley(2007), summarized the four potential problems with subjective performance evaluation: shirking among supervisors, forced distribution, influence costs, and reneging. In other words, supervisors may shirk on performance evaluations, for instance, by rating all employees about the same, overstating the poor performers, compressing ratings around some norm rather than disentangling good performers from bad performers, or ranking employees based on personal likes and dislikes. Forced distribution refers to an allotment where a fixed fraction of employees is assigned to specific categories. This can also lead to inaccuracies – especially if applied to small groups. Influence costs include those unproductive activities employees engage to influence outcomes. Reneging refers to the potential that a firm will break a promise to reward superior performance, since the subjective measures are not verifiable.

In Ethiopian manufacturing enterprises management control practice is not well developed. Since, the manufacturing sector is a nascent industry; no sophisticated system may be expected. Yet, in this global world of trade and industry, where customers have several choice, competitive products and services only are destined to succeeds. As indicated above Welsh et.al (2005) success of the business organization in competitive market environment is directly related to design and use of the elements of MCS. Due to the yet nascent manufacturing industry of the country, case study or survey of MCS practice may not as such be of interest. However, we cannot deter study of MCS and its application in Ethiopia industries. The study was filling the gap as it considers the importance of holistic use of MCSs. Here, the researcher is interested in examining the elements of MCSs; strategic planning, performance measurement and evaluation, incentives and motivations. The other driving forces for the researcher is, to examine the applications of MCSs to achieve corporate and business strategy, goals and objectives of BGI Ethiopia.

1.4. Basic Research Questions

To evaluate the elements of management control system the following research Questions was formulated to conduct the study.

- What are BGI strategies well designed to accommodate changes in the business environment?
- Which performance measures and evaluation techniques are being used by BGI Ethiopia?
- What types of incentive and motivation system are being used by BGI Ethiopia?

1.5. Objectives of The Study

1.5.1 General Objectives

The objective of this study was to assess BGI Ethiopia's on selected elements of management control system.

1.5.2 Specific Objectives

The study addressed more specifically the following objectives:

- ✓ To assess whether BGI Ethiopia's strategies are well designed and adjusted to accommodate changes in the business environment.
- ✓ To investigate what methods of performance measurement and evaluation used framework are used in MC and task control.
- ✓ To analyze reward, incentive and system of motivation used by the company to motivate its employees.

1.6. Significance of The Study

It is stated in the problem discussion that; the current growing business environment is becoming more complex and dynamic in nature. Several improvements in quality of goods and services, innovation skills have been observed. In a normal circumstance, these features are demanded by almost all companies. In other term, it was led to successful existence in the today's competitive market environment. The role of well-defined MCS tools has been undoubtedly argued by various management science scholars.

The paper was bringing to light the experience of one of the internationally experienced company to demonstrate the practice of MC. Practice of the company was evaluated against the theoretical principles and any gap was reported. It is hoped that the study has shed light on important aspect of MCS practice and provoke future research on the subject in connection to enterprises in the country as well as for the BGI Ethiopia. Specifically, the study has the following main significance: -

- Help to better understand the processes/ element of MCS.
- Help to identify problems and improvement opportunities in the MCS elements of the manufacturing firm.
- Help future researchers who are willing to conduct study on this topic.

Finally, this research was conducted with the aim to increase knowledge and understanding of MCSs for the area in which this research was undertaken as a role model to the related research conducted and by examining greater number of components, tools and techniques of management control systems.

1.7. Scope and Limitation Study

The study was only one company is select for the assessment. Since, it is a case study's; the findings cannot be generalized to all manufacturing companies. Among management control system tools, planning, performance measurement and evaluation, reward, incentive and motivation was selected to analyzed. The need to focus on one company alone arose from the fact that BGI Ethiopia has international experience to work in competition environment. To conduct the study, the manufacturing company BGI Ethiopia is selected. This is due to:

- ✓ Selecting a successful company has a merit of asking about the contribution of the management control system to the success of the company.
- ✓ BGI Ethiopia has international experience in operating brewery beyond Ethiopia with enough experience to competitive environment.
- ✓ It is believed that BGI Ethiopia has standard system of management information and control system as compared to many of our brewery companies that were operating and are more uniform pricing of products instead of competition

Therefore, the scope of this study was delimited to BGI's MCS in manufacturing company in the selected elements of MCS of the topic. It is difficult and unmanageable to conduct the study in all areas that summarizes the MCS in terms of time, finance, and research manageability.

1.8. Organization of the Study

The study was structure in to five chapters. Chapter one, introduction contains background of the study, the problem statement, research question, objectives of the research, the significant of the study, scope, limitation of the study. Chapter two was literature review which includes definition of terms, management control system categories, element of management control system which is strategic planning, performance measurement and evaluation, incentives and motivations empirical review knowledge gap and conceptual framework. Chapter three deal with the research design, target population, data collection method, data collection procedures, data analysis and presentation technique, ethical consideration and. Chapter four deal with data analysis, presentation and findings. Chapter five was about the summary of findings, conclusion, recommendations and areas of further research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Framework

Various definitions and interpretations of the concept of management and control have been given. This different interpretation implies that, the literature does not claim a single dominant paradigm representing consent constant law, theories, applications and methodology for management control system Anthony R.(2001).

The earliest definition of management control system [MCS] was provided by Anthony [1965], according to whom management control is "the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives". Anthony's is definition is of slightly narrow nature since it separates management control from strategic control and operational control. On the other hand, Anthony J. Berry(1995), defined MCS as a process that embody to pursue objectives, accomplish goals and successfully pursue strategies. It also integrates motives assist decision making, communicating objectives, provide and feedback.

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

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

Operational Definition

Management control System: - is the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organizations objectives (Anderson and Young, 1999).

Performance Management: - is the management of activities which includes activities which insure that goals are consistently being met in an effective and efficient manner (Juran, 1997).

Compensation: - All of rewards earned by employees in return for their labor(Davila and Faster,2005)

Benefits: - Non-wage compensations provided to employees in addition to their normal wages or salaries (Davila and Faster, 2005)

2.2 Elements of Management Control System

2.2.1 Strategic Planning

2.2.1.1 THE NATURE **OF** *STRATEGY*

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

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

Strategies can be specified formally or left largely unspecified. Most of organization develop formal strategy through systematic, often elaborate planning process; other organizations do not have formal written strategies instead they try to respond to opportunities that present themselves. Mint berg [1994], identifies three types of strategy: intended, realized and emergent strategies. Intended strategy is strategy as conceived of by the top management team. Here, rationality is limited, and the intended strategy is the result of a process of negotiation, bargaining, and compromise, involving many individuals and groups within the organization. Realized strategy is the actual strategy that is implemented. Here, it is only partly related to that which was intended.

Emergent strategy is the decision that emerges from the complex processes in which individual managers interpret the intended strategy and adapt to changing external circumstances. Emergent strategy is the primary determinant of realized strategy. Major elements of these strategies emerge from a series of interactions between management employee and the environment from decision making spontaneously from local experimentation designed to learn what activities lead to the greatest success.

According to Otley & Fayol (1999), the contingent theory of management accounting suggests that there is no universally applicable system of management control but what the choice of appropriate control techniques will depend on the circumstance surrounding a specific organization. The central contingent variable is the strategy and objectives that the organization decides to pursue. Not only are these objectives likely to heavily influence the choice of performance measure to be used (i.e., desired outcomes), but they also must act as the criteria against which the contingent choice that have been made can be evaluated (The ‘goodness of fit’ of the system). Strategy is formulated at various levels of the organizations, corporation, business level, manufacturing level among others.

2.2.1.2 BUSINESS–LEVEL STRATEGY

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

Business-level strategy is all about organizations developing a good competitive strategy. Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage over its competitors in the market. Competitive strategy in an organization is created in the separate business units of the organization and to develop a good competitive strategy the organization must be able to identify its strategic business units. For public service organizations, the basis on which the organization chooses to sustain the quality of it services within the agreed budgets, is how it provides best value. Michael Porter proposed three different generic strategies by which an organization could achieve competitive advantage.

These were: overall cost leadership, differentiation and focus. Overall cost leadership exists when the firm can deliver the same benefit as competitors but at a lower cost. Differentiations exist when the firm can deliver benefits that exceed those of competing products. These are based on the principle that organizations achieve competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors.

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

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

2.2.1.3 MANUFACTURING STRATEGY

For most industrial companies, the manufacturing operation is the largest, the most complex, and the most difficult-to-manage component of the firm. Because of this, firms must have comprehensive manufacturing strategies. Manufacturing strategy is a critical part of the firm's corporate and business strategies, comprising a set of well-coordinated objectives and action programs aimed at securing a long-term, sustainable advantage over competitors. It should be consistent with the firm's overall strategies, as well as with other functional strategies. Firms major strategies at manufacturing process includes; reducing cost of production, improving product quality, reducing lead time, reducing amount of material scrap and reducing amount of production west Fine and Hax (1985).

According to Swamidass & Newell (1987), manufacturing strategy is viewed as the effective use of manufacturing strengths as a competitive weapon for the achievement of business and corporate goals. Manufacturing strategy reflects the goals and strategies of the business and enables the manufacturing functions to contribute to the long-term compositeness and performance of the business. According to Bourne (2002), a manufacturing strategy is defined by a pattern of actions, both structural and infrastructural, which determine the capability of a manufacturing system and specify how it will operate to meet a set of manufacturing objectives which are consistent with overall business objectives.

2.2.2 Performance Measurement and Evaluation

According to Neely (1995), performance measure can be defined as the process of quantifying the efficiency and effectiveness of action. Literally it is the process of quantifying action, where measurement is the process of qualification and action leads to performance. There is currently considerable interest in performance measurement. Management interest can be gauged from the high levels of attendance at the large number of industrial conferences on the subject. Academic interest is manifest through the considerable number of papers on the topic Neely (1995).

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

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

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

In terms of effectiveness, achieving a higher level of product reliability might lead to greater customer satisfaction. In terms of efficiency, it might reduce the costs incurred by the business through decreased field failure and warranty claims. Hence the level of performance a business attains is a function of the efficiency and effectiveness of the actions it undertakes. Even though, the measurements of business performance have long been of central interest to both managers and management accounting researchers, management accounting has tended to restrict itself to considering only financial performance and to use frameworks and theories drawn primarily from the discipline of economics. Most economic theories analyzing the choice of performance measure indicate the performance measure systems should incorporate any financial (on) non-financial measures that provide incremental information on managerial effort. Despite these model firms traditionally have relied almost exclusively as financial measure such as budgets profits, accounting returns and stock returns for measuring performance.

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

o Bitton (1990) proposes an approach based on the GRAI methodology for enterprise modeling, breaking down the planning and control of manufacturing into discrete decision-making units and then attaching appropriate performance measures to each decision;

o Dixon et al. (1990). use their performance measurement questionnaire (PMQ) to identify strengths and failings in the current performance measurement system and then propose a workshop to develop, revise and re-focus the set of performance measures;

o Kaplan and Norton's (1993), approach for the development of the balanced scorecard was based around using interviews with members of the senior management team to surface differences in strategic priorities before resolving these differences through

o Eccles and Pyburn (1992) described a facilitated process which makes managers' thinking explicit through building a performance model linking changes in people's knowledge and organizational processes, through performance in the market, to the financial performance of the business. A similar approach is now adopted for the development of the balanced scorecard Kaplan and Norton, (1996).

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

2.2.2.1 FINANCIAL AND NON - FINANCIAL PERFORMANCE MEASURE

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

2.2.2.2 INDIVIDUAL MEASURES OF PERFORMANCE

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

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

2.2.2.3 ENTITY LEVEL PERFORMANCE MEASUREMENT

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

PERFORMANCE MEASURMENT TO QUALITY

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

PERFORMANCE MEASUREMENTS TO TIME

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

PERFORMANCE MEASUREMENT TO COST

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

PERFORMANCE MEASUREMENT TO FLEXIBILITY

Slack (1983) identifies range, cost and time as dimensions of flexibility, although he later modifies this model so that it includes only range and response, where range refers to the issue of how far the manufacturing system can change and response focuses on the question of how rapidly and cheaply it can change.

Gerwin (1987) observes that very little is known about the implications of flexibility for manufacturing management and suggests that part of the problem arises from the lack of operational measures of flexibility. For performance measures relating to flexibility, the following are identified: Material quality, Output quality, new product, Modify product, Deliverability, Volume, and Resource mix.

CRITERIA FOR SUCCESSFUL PERFORMANCE MEASURMENT

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

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

2.2.2.4 TYPES OF PERFORMANCE MEASURING VARIABLES

The following tables summarizes of financial and non-financial performance measuring variables, which are identified from the performance measurement literature Neely (1995), Anthony G. a., (2000).

QUALITY o Cost quality o Cost reduction resulting from quality o product improvement o Market share o Number of customer complaints	**B. TIME** o Manufacturing lead-time o Rate of production introduction o Deliver lead time o Due-date performance o Frequency of delivery o Time-to-market for new products
A. CUSTOMERS AND SALES: o Average sales order [booking] o Number of lines or products o Number of new customer contacts o Number of new customers o Number of warranty claims o Total sales per region o Total sales per sale representative o Selling price o Customer satisfaction o Number of new products o Back orders o customer retention o customer loyalty	**C. PRODUCTION** o Inventory turnover ratio o Number and length of down time o Number of units produced o Number of machine or plant hours used o Number of production waste o Unit of output per hours of labor o Account receivable turnover o Amount of finished goods inventory o Amount of material scrap produced o Amount of raw material inventory o Amount of work in process inventory o Quantity of energy consumed o Number of production waste o Cost per damaged unit produced

Table 1: Non-financial performance measurement parameters [KSF]

Source: Neely (1995) and Anthony G. a.(2000)

A. FINANCIAL RATIOS	B. VARIANCE OF LABOR, MATERIAL
o Current ratio o Profit before tax o Return on sales o Total expenses o Total net cash flow o Operating margin o Total of cash receipts o Manufacturing cost o Running cost o Asset turnover o Total operating cash flows o Total costs by department o Total of cash disbursements **D. ACCOUNT RECIEVABLE** o Number of doubtful account receivable o Total sales per employee	o Labor efficiency variance o Labor rate variance o Materials price variance o Materials quantity variance **C.STOCK, MARKET SHARE** o Earnings per share o Price-earnings ratio o Stock price **E. REVENUES AND PROFITS** o Cost of goods sold o Gross profit margin o Total sales of revenues o Net profit

Table 2: Financial performance measurement parameters

Source: Neely (1995), Anthony G. a. (2000)

2.2.3 Incentives and Motivations

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

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

Therefore, incentives targeted to individual employees would be more powerful than team incentives Steven J. Condly (2003).

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

2.2.3.1 NATURE OF INCENTIVES AND MOTIVATION

2..2.3.1.1 INTRINSIC MOTIVATION

There are two types of motivation present in the workplace: intrinsic and extrinsic Adams, (2007). This means that job-related variables affecting motivation have intrinsic and extrinsic motivational value that drives employees to perform. Given that most employees are intrinsically and extrinsically motivated simultaneously, hence a conclusion can be made that intrinsic and extrinsic motivations are not mutually exclusive.

Intrinsic stems from the word "internal" which implies that motivation comes from within the individual, in other words, this type of motivation is self-generated. When intrinsically motivated, the individual will strive to satisfy the three innate psychological needs, namely needs for, autonomy, competence, and relatedness. Deci (2000), Such employees like to have substantial freedom to make decisions, a channel to express creativity, opportunities for advancement, recognition for good work, be treated in a polite and thoughtful manner, and possess the passion to take on tasks that are both challenging and meaningful of which feel an inherent sense of accomplishment upon successful completion. For instance, an employee who has encountered an intriguingly difficult problem is unlikely to surrender just because the problem appears to be unsolvable. Instead, the employee will put forth his/her best efforts, say by investing more time or taking the task home, as he/she views the problem as challenging and worthwhile to complete. In fact, many researchers have acknowledged and proven that intrinsic motivation does have a positive long-term effect and is regarded as the "true motivators".

2..2.3.1.2 EXTRINSIC MOTIVATION

Extrinsic motivation refers to motivation that comes from outside an individual in exchange for external rewards not derived from the work itself. Extrinsic motivation takes place in the form of tangible monetary or non-monetary incentives such as pay rise, gift certificates, stock options, vacation trips, wall plaques, company banquets, movie tickets etc. For instance, an employee may work doubly hard to finish a project before the scheduled deadline because of the tangible reward that accompanies for working efficiently.

The extrinsic rewards can act as positive reinforces and have found to be an effective tool for short-term gains Adams,(2007) i.e. meeting immediate goals, it may have long-term adverse impacts on employees' behavior. Considerable research results indicate that employees who do not expect to receive extrinsic rewards outperform those who expect reward (Kohn 1993). However, extrinsic rewards can still be useful if administered under the right circumstances, such as the absence or low levels of intrinsic motivation or when the job is unchallenging and mundane.

TYPES OF EXTRINSIC INCENTIVES

- **Monetary Incentives**

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

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

Profit-sharing plan is an incentive-based remuneration that recognizes employees' effort and positive contribution towards the organization's success by disbursing a percentage (approximately 15-20%) of the organization's profit to eligible employees. Employee Stock Ownership Plan (ESOP), like profit-sharing plan, has been a growing worldwide phenomenon in the recent years. This scheme enables employees to have a share of ownership of the organization they work for. The underlying objectives of an ESOP are to attract, retain, motivate, and reward employees Hewitt Associates (2006).

Common stocks are usually acquired through the ESOP distribution where stocks are allocated to each individual employee's account or purchased directly from the organization and dividends are paid contingent on the value of the stock. In both cases, the employees' performance is directly linked to the rewards. As a result, employees are inclined to commit to goals, work hard and help make the organization successful Hewitt Associates (2006).

According to Hewitt Associates (2006), In addition to base pay, nowadays more and more organizations are turning to variable incentives to align employees' behavior with organization goals. The four commonly adopted types of variable incentives are: membership/seniority-based rewards, job status-based rewards, competency-based rewards and performance-based rewards. McShane,(2000), presents about, seniority-based rewards, which tend to be based on age, and may do not truly motivate job performance while rewards based on job, competency and performance ensure that employees are paid based on their value and contribution. When salary is contingent on the efforts of an employee, very likely the employee will enhance his/her competitiveness and performance in the workplace.

Monetary incentives provide the flexibility for the recipient to spend the money however he/she wants, and it may be useful when employees can expect the same kind of reward the following year if they put in the same amount of hard work as before. Employees, whose efforts relate closely to key performance results, such as executives, production and sales workers, may benefit the most from monetary incentives. Nevertheless, organizations cannot rely solely on monetary incentives to motivate the diverse workforce due to the limitations it brings. Firstly, according to Hertzberg's theory, money can prevent employee dissatisfaction but does not necessarily motivate. Secondly, while employees see bonus payments in a positive light, there are, however, negative impacts on motivation if the incentive plan is not carefully designed.

- **Tangible Non- Monetary Incentives**

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

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

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

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

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

Lastly, employees need social acknowledgement for something good they have done. Tangible non-monetary incentives serve this purpose particularly better than monetary an incentive as the latter is, firstly, a socially unacceptable manner of seeking cognition from peers and, secondly, people are uncomfortable and unlikely to flaunt their monetary rewards in front of others. Conversely, the physicality of a tangible on-monetary incentive like a wall plaque is palpable to everyone and the employee has no reason to feel embarrass raving about it. In addition, the tangibility provides a lasting reminder of achievement, and most importantly, how the reward was achieved Federation Study:, (2005).

- **Intangible Non-Monetary Incentives**

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

All employees want to be acknowledged for a job well done, whether it is from one's superiors, peers, family or friends. When their efforts go unappreciated or unnoticed, they start to develop a feeling of resentment against the organization. A simple thank- you note, a smile, a friendly greeting, a pat on the back, a nod of the head, and a warm hand shake are all simple gestures needed to make employees feel cared-for by the organization. In addition, the recognizer is someone respectable or with superior status, it will have considerable positive impact on the employee. Showing appreciation to employees often goes beyond friendly social gestures. Employees want to feel appreciated and valued by the organization. This is where recognition comes in. Employees whose efforts are recognized feel good about themselves and hence a strong mental link between their actions and the positive emotional reward is formed Jeffrey and Shaffer, (2007).

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

2..2.3.1.3 CLASSIFICATION AND TYPES OF INCENTIVES

For this research the framework for classification of incentives developed by Pattanayak, (2005) is selected to be considered.

MONTARY INCENTIVES	TANGIBLE NON – MONTARY INCENTIVES	INTANGIBLE NON-MONTARY INCENTIVES
DIRECT COMPENSATION: o Base salary o Commission o Bonus **IN DIRECT COMPENSATION:** o Insurance for health/disability/life o Profit sharing plans o Retirement plans o Employee Stock Ownership Plan (ESOP) o Educational o Overtime policy o Paid leave o Unpaid leave o Subsidized utilities o Subsidized housing o Travel expenses o Childcare	**TREATS:** o Free meal treats o Free food/beverage o Festival bashes o Coffee breaks o Picnics o Birthday treats **AWARDS** o Plaques or trophies o Certificates or scrolls o Letters of appreciation o Knick-knacks: o Decorative o Tie pins or brooches o Calendars or diaries o Watch o Electronic items o Newspaper **TOKENS:** o Tickets to movies/ sports events/concerts o Gift like Certificates, Accessories/garments o Paid-up vacation trips o Anniversary/birthday	**SOCIAL REWARDS:** o Informal recognition o Verbal recognition o Formal recognition at office; get-togethers o Feedback o Friendly greetings o Pat on the back o Club privileges o Use of company facilities, equipment, supplies **TASK RELATED REWARDS:** o More responsibility o Meaningful work o Job rotation o Special assignments o Training o Representing the company at public o Autonomy over work o Promotion o Flexible hours

Table 3: Classification of incentives

Source: Pattanayak, (2005)

2.3 Empirical Evidences

This section deals with the empirical framework supported by different researchers regarding the management control system. It is composed of the practical application, methods adopted and findings of MCS, strategic issue, cost accounting, performance management and rewards and compensation.

2.3.1 Management Control System

According to Bisbe and Otley D (2004) using quantitative method helps to study the impact of service process type, business strategy and life cycle stage on MCSs. The scholars scope their efforts by investigating service organizations. Dimensions of MCS sunder investigation are action versus result control, forma versus informal control, tight versus lose control, restricted versus flexible control, impersonal versus interpersonal control, mass versus professional depicts the dimension of service process type. Dimensions of strategy are depicted by low or high emphasis on cost leadership strategy and a low or high emphasis on differentiation strategy. The dimension of life cycle stage is envisioned by growth versus mature stage. A high emphasize on a cost leadership strategy and a mature strategy is hypothesized to individually lead to forms of bureaucratic management control.

High emphasis on a differentiation strategy and a professional service process type are expected to lead to forms of non-bureaucratic management control. The hypotheses assume that a certain strategy is always linked to management controls with a fixed set of characteristics. The argument is furthermore grounded in the notion that not all companies apply management controls to strategy have highest performance Channell and Langfield-Smith (2013). The result provide support for three conclusions: (i) with regard to the service process type results indicate that mass service organization apply more bureaucratic management control than professional service organizations, (ii) cost leaders apply more bureaucratic management controls than differentiators, and (iii) for the life cycle stage the results indicate that organizations in the mature stage of their life cycle apply more bureaucratic management controls than organization in the growth stage of their life cycle.

2.3.2. Strategic Planning and Management

According to Das T (1987) using qualitative methods study, the company called Electra results from the merger in 2001 of four competitors which were established in the 1920s. According to the results from interviewees (Holding management controller, Electra's director, and Tertiary director), the main strategic issue at that time was to conquer the market. The volume strategy was dominant, while the profit was nearly ignored. Moreover, both for motivation and for commercial reasons, the choice had been made to keep the historic brand names of the different companies, often considered at their precious goodwill.

According to Mintzberg etal (1982) implications of MCS in the formulation, implementation and monitoring of strategies were investigated. Ideally, the role of strategy is dynamic, involving managers in continually assessing the way combinations of environmental conditions, technologies and appropriate structure. This studys basic conclusion is that MCS influence the implementation and monitoring of strategies, providing feedback for learning and information to be used interactively to formulate strategy further. Few studies in MCS have investigated these issues (Simons, 1995, 2000), rather, most have been restricted to identifying MCS that are appropriate for different strategic models Chenhall (2004). Therefore, the findings of the paper fill this void. This study upgrades the existing theory in that it not just establishes a relationship between contextual (in our case strategy) and MCS elements, but also considers how this relationship impacts organizational performance. The research shows that the combination of performance-driven behavior and regular use of MCS leads to improve results.

Directions for future research stem from the papers findings as well as from missed opportunities that indicate opportunities for future research. It would be worthwhile to conduct a longitudinal study on a wider sample of companies to study how and why they change their strategic orientation and the use of MCS and how this has impacted their decision-making, actions and performance management. This study can combine case-study as well as survey methods. The advantage of the present study is that it provides an impetus for future researchers to address these issues and to move beyond existing models of control and begin to systematically explore the different roles served by accounting in the management of change. According to Kaplan (1998) using mixed methods study of several findings emerge from the study. First, the control packages of the business units were found to be virtually akin to each other but, however, equally functional in the face of different contingencies. Second, the packages seemed to rely more on informal and mechanistic" controls. Third, whilst cultural controls were arguing to provide a contextual frame for other controls, reward and compensation controls were asserted to remain relatively separate from other package elements. Planning, cybernetic, and administrative controls, on the other hand, appeared to be tightly linked in practice. Finally, the business units MCSs packages were argued to be of assistance in fostering organizational ambidexterity.

According to the findings of Henri J (2006) shows that the classification of the business strategy of the acquired companies just before the acquisition and after it indicates, there were differences, though relatively minor, in the overall average scores of the four business units. However, both interview and the archival data showed significant differences in the business strategies of the four firms. In view of the difference in the quantitative and qualitative data, additional interviews were conducted to gain a better understanding of the empirical manifestations of the variable under study. The additional interviews showed tended to underestimate the differences between the firms with a differentiation strategy and those with cost-leadership strategy.

2.3.3 Organizational Decision Making and Objectives

According to Henri et.al (2006) qualitative methods study to achieve MCS in Energy co plays an important role in several steps of the decision process. First it appears to have assisted in the identification and clarification of problems. Simons (2000) argues that the first step in the decision process is extremely important to understand because some issues may be given full attention while others are neglected. Also, the quality of the solution can often depend on the way in which a problem is represented. Because the MCS includes information on leading and lagging indicators, potential problems can be identified early on and managed proactively; rather than after already experiencing financial troubles, for instance. The MCS has helped to overcome a firefighting style of dealing with strategic issues and appears to have allowed a more systematic method for making decisions to solve them. The theme in the following quote was echoed by all three members of the executive team interviewed, and similar responses were given the general managers and regional general managers regarding their role. Another issue in decision making is also the limits to rationality, due to complexity and incomplete information (Simon 1995). The MCS presents a much wider scope of information on aspects of energy performance and allows managers to consider the impact of a decision on more than one area.

The final point is that the MCS led to a balanced process when making decisions, and this appears to be its strength in overcoming the conflict between multiple objectives. It has done this formally by providing the framework for board and executive level discussions and presents the information in a way which shows the potential impact of decision on all strategic objectives. It has also played an informal role as it has in a sense engrained the values of the organization in the minds of those decision makers.

2.3.4 Performance Measurement

Mensah and Li (1993) describe a case study using qualitative and quantitative approaches at a large U.S. equipment manufacturer, focusing on efforts of the organization to model drivers for performance of its distribution system. To this end a framework of performance measurement attributes, based on prior research is crated. Eight desirable attributes of performance measures are identified; diverse and complementary, objective and accurate, informative, more beneficial than costly, causally related, strategic communication devices, incentives for improvement, and supportive of improved decisions Mensah and Li (1993). The study is structured around four research questions, addressing the role of measure attributes and their relations to management control and strategy. Empirical data for qualitative analysis is collected through interviewees, company documents and performance data. Company documents serve as a data for quantitative analysis. Results of the study indicate that adoption of performance measures depends on the organizations strategic orientation, as it influences the importance of individual attributes. The study reveals that the organization adopting a conservative strategy only abandon a performance measure that fits the strategy when it has an abundant number of negative attributes.

As Burkert et al. (2014) demonstrated, the relationship of MCS on the response variable (organizational performance) can be mediated or moderated by contingency variables external contingency (environmental uncertainty) and internal contingency (business strategy). That is, contingency variables can be mediator or moderator variables. Burkert et al. ushered in previously unknown functional relationships between organizational performance and contingent variables (MCS and strategy) subject to moderation by another variable (e.g., environmental uncertainty).

2.3.5 Compensation and Rewards

From the findings of Das T (1987) by using qualitative methods of study and purposive sampling technique, the result of compensation systems was purely objective, and formula based. The delegation directors and profit center managers had an annual bonus equally based on their annual sales and margins. A bonus was given when the performance was above 100 percent of the targets and was maximum when 120 percent of the target were achieved. The targets were based on those inscribed in the annual budget.

2.4 Conceptual Framework

The purpose of the paper was to assess the MCS practices in BGI Ethiopia. From the conceptual point of view, the researcher noted from the theoretical and empirical underpinnings of the above literature review section. Based on overall review of related literature, the researcher extracts the conceptual frame work of this study in three essential parts:

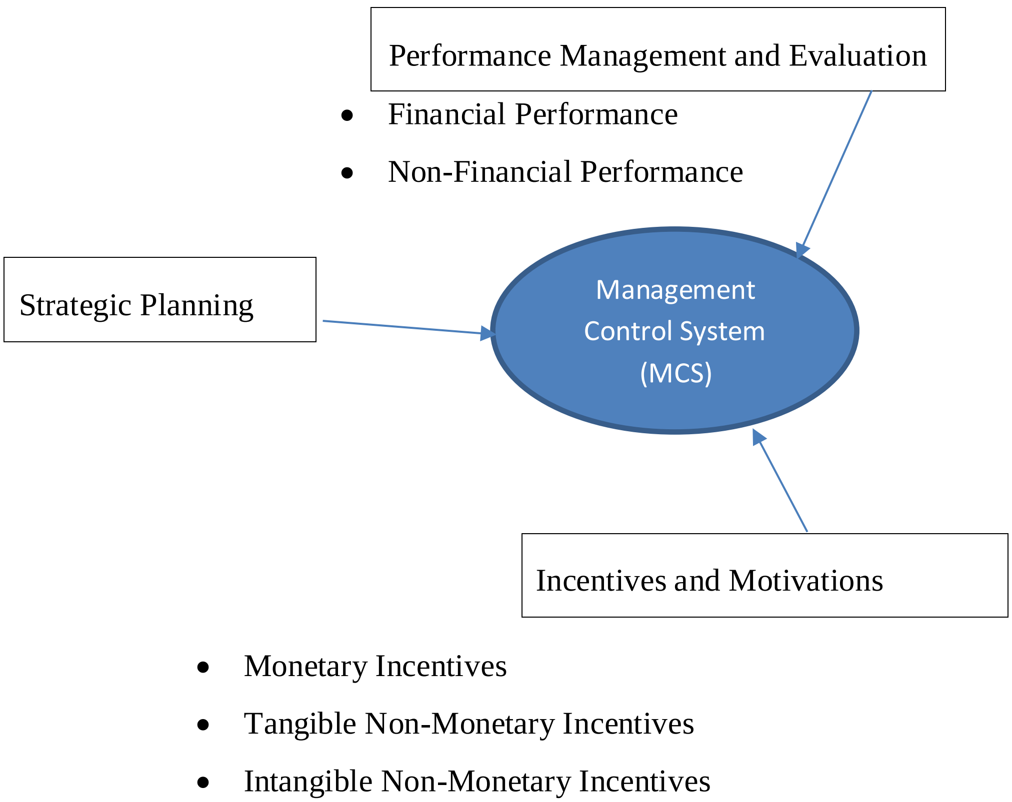

Fig 2.1 Conceptual frame work for the study

Source: adapted from Otley & Fayol, (1999) and Neely(1995)

CHAPTER THREE

METHODOLOGY Of THE STUDY

This part was describing the methodology that was used in this study the choice of research designs, sample and sampling techniques, sources of data and data collection tools, and data analysis method along with an appropriate justification associated with each approach.

3.1. Research Design and Approach

In order to achieve the main objective of this research, descriptive method of study used. The purpose of using this method was the researcher believed that by adopting survey study pertinent and precise information regarding the study could be obtained management control system environment based on the research questions. The researchers also use qualitative method. The qualitative method is much about interpreting information of different kinds and it is engaged with the main emphasis to gain insight of the organization's operations and to construct explanations. The reason for choosing qualitative approach is due, to the aim of receiving in depth information regarding how the management control elements are practiced and used in BGI Ethiopia.

3.2. Sampling and Sampling Technique

According to Hair et al. (2010), target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. Therefore, for this study, the target populations were employees of BGI Ethiopia Plc, particularly those their education level is grade ten completed and above.

3.2.1. Sampling Technique

For the purpose of this study, the researcher uses probability sampling particularly stratified random sampling technique. The target populations for the study were classified into four strata based on the departments and section in the firm which is directly related with MCS of the organization. Then the samples were selected from each stratum according to their proportion to the total population. Since the information required for the study needs different people who have knowledge and awareness about different management control system practices of the firm, stratified random sampling technique were used to have the right proportion of people from every concerned department or section. The departments considered as strata, from which data were collected: planning, production, HR and Accounting departments. Because of the nature of work they do the researcher classified as strata.

3.2.3. Sample Size

Zikmund (2003); Malhortra and Peterson (2006) stated that, the larger the sample size of a research, the more accurate the data generated. However, due to time and financial limitations and the nature of the population, sample determination method developed by Carvalho (1984) was preferred to be used by researcher as a method to determine a sample size.

The total numbers of employees in BGI Ethiopia in Addis Ababa main branch were 940 out of this about 125 employees were not target population because they have no direct contact with the concept of the study. Therefore, from the remaining 815 employees 80 were considered as a sample respondent as per the Carvalho's sample determination method, considering the heterogeneity of sample respondents based on position within the organization. The sample respondent was from marketing department 30 employee, accounting department 25 employee and production department 25 employee. In addition to this an interview were held with management members of Human Resource and Planning department of the company.

3.3 Types of Data and Methods of Collection

3.3.1. Primary Data

For this research, the primary data were collected through an interview and self-administered structure questionnaire. The questionnaire included open ended and close ended items; the respondent provides answers for the close ended items. Then an interview was conducted, the purpose of the interview is to get a picture of the current situation of the company and to answer the open-ended items on the questionnaire. The interview was analyzed based on the notes to be written during the interview.

3.3.2. Secondary Data

In addition to the interview and questionnaire, secondary data was collected from the company's operating manuals, policy manuals, strategic plan document and reference to performance report to investigate the strategic plans and for performance measurement and evaluations system.

3.4. Methods of Data Analysis

The researcher was using the theoretical propositions analytical data analysis. The original objectives and design of the case study is based on each proposition, which in turn reflected a set of research questions, views of the literature and propositions. The empirical evidences were analyzed through identifying theme from the data. The interview, questioner and other data transcript carefully identified to find the points that match with the conceptual framework.

3.5. Ethical Consideration

Ethics is there to minimize harm and to ensure that the research participants are subject to any risk or exposure due to any improper methods of protecting privacy. In relation to the research work, BGI was asked its consent with a supporting letter issued by St. Mary's university and the company were became volunteers for the research work. Accordingly, the researcher was taking in to consideration the following ethical issue. Any relegated data for the study were collected by issuing an official letter to BGI; the target respondents were fully informed about the purpose, method, and intended possible uses of the research, what their participation in the research entails and what risks, if any, are involved; the confidentiality of information supplied and the anonymity of respondent is respected.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with presentations, discussion and interpretation of the data collected through questionnaire and interview. The discussion particularly focuses on respondent's profile, Assessment of MCS. Out of eighty (80) questionnaires distributed to respondents seventy three (73) were returned (accepted). From the accepted responses all responses were found valid and used for the analysis. Thus, based on the responses obtained from the respondents data presentation and analysis were made as follows.

4.2 Background of The Respondents

The demographic profile of the sample respondents is presented and analyzed below. The purpose of assessing respondents' sex is that, to determine whether the researcher considered heterogeneity of sample units. On the other hand assessing the work experience and education level of the respondents' is that, when the respondents are more experienced and educated they have better opportunity to understand the case and give better response than else.

Table 4.2.1 Respondents 'Gender

Table 4. Gender Distribution of Respondent

	Frequency	Percentage
Male	61	83.6
Female	12	16.4
Total	73	100

Gender frequency of the respondents shows that the numbers of male respondents were almost five times as female respondents. This is 83.6% of the respondents were male, while 16.4 % were female respondents.

The education qualification of respondents is shown in table 4.2. As it is indicated in the table, 49.3% hold a first degree. In the other way, 27.4% were diploma holder, while 9.6% of the respondents grade 12 completed. 13.7% hold second degree and above.

Table 4.2.2: Respondents' Educational Level

Table 5. Respondents Educational Level

	Frequency	Percentage
Grade 10 completed	-	-
Grade 12 completed	7	**9.6**
College diploma	20	**27.4**
First Degree	36	**49.3**
Second degree and above	10	**13.7**
Total	**73**	**100**

Table 4.2.3: Experience of Respondents

Table 6. Experience of Respondent

	Frequency	Percentage
For less than a year	10	13.7
2-5 years	40	54.8
Above 5 years	23	31.5
Total	**73**	**100**

The results of respondents' position are indicated in above table. The table demonstrates that 13.7 % of the respondents worked for less than a year, 54.8% worked for 2- 5 year, and 31.5% worked for greater than 5 year in the enterprise.

The results of respondents' position are indicated in table 4.4. The table demonstrates that 9.3% of the respondents are working in managerial position, 30.3% are working in division head, and 60.4% are working in non-managerial position.

Table 4.2.4: Position of the Respondents

Table 7. Position of Respondent

	Frequency	Percentage
Managerial position	10	13.70
Division Head	13	17.8
Non Managerial position	50	68.5
Total	**73**	**100**

4.2. Manufacturing Strategy

The empirical evidence has shown that, BGI Ethiopia has no a clearly stated manufacture strategies. However, the interview held with the technical and production department head, claimed BGI Ethiopia is using the widely used manufacturing process strategies. Reducing the production cost, increasing quality of products and reducing production waste are core components of company's manufacturing process strategy.

4.2.1 Strategy Vs Change in The Environment

Interviews held with the regional sales manager of BGI Ethiopia claimed that, the business level strategy has been changing due to deliberate and emergent change in internal and external environment. The most significant driver is the dynamic nature of the business. The regional sales manager said, "We do have personnel in a regional level who are responsible in evaluating each major activities of the business environment, i.e. competitors, customers and then report to the management staffs".

Through this process when there is a change in the business environment, the strategy which copes up the new emerged environment. The manager extends, "We are not operating as a company, rather we are a team" while asked about alignment of the news strategy with operating departments. Since, it is all about deciding the way to get the future position, in preparing the new strategy plan, all department are a member. But, the time pattern of reviewing its objectives and strategies is not clearly stated.

4.3 Performance Measurement and Evaluation

4.3.1 Entity Level Performance Measurement

To analyze the performance measures currently being monitored by BGI Ethiopia, the appropriate way selected is identifying the mix of financial and non-financial measures from performance measurement literature from Anthony and Govindrajan (2000), Neely, (1995). Then, 64 performance measure consisting 48 non-financial measures and 26 financial measures are outlined. The non-financial measures are grouped in 4 dimensions and the financial measures grouped in 5 dimensions.

Table 8: Framework of Performance Measures Currently Being Used by BGI Ethiopia (Financial) and (Non-Financial)

Part 1	**Performance**	**Respondents**	**Percentage (%)**
Financial Performance and Non-Financial Performance Method Currently Being Used By BGI?	Financial Measures	60	82
	Non-Financial Measures	13	18
	Total	**73**	**100**

Source: Own computation, 2019

Three major departments that have exposure to those measures; production, sales and marketing and accounting department were given these measures and asked which measure they are considering for measuring the entity performance.

The result showed, out of 38 non-financial measures the company uses only 17 non-financial measures which is (18%) of the respondent reply and out of 26 financial measures identified, BGI Ethiopia is monitoring 25 financial measures which is (82%). Thus, BGI Ethiopia is monitoring a traditional performance measurement with a mix of financial and non- financial measure relaying almost exclusively on the financial measure. The following table's shows the non-financial measures and financial measures being used by BGI Ethiopia.

4.3.2 Process of Measuring Entity Performance

4.3.2.1 Financial Measure

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

4.3.2.2 Non-Financial Measure

BGI Ethiopia is using the non-financial measures as indicators of performance. According to sales and marketing department head, for instance “backorders” which is a non-financial measure, is used as an indicator of imbalance between sales and production department and suggests customer dissatisfaction. Customer satisfaction is also measured by the number of complaints letter and customer survey made once year for major customers. Customer loyalty is also used as an indication of their performance and measured in terms of repeated purchase made by customers.

4.3.3 Individual Measure of Performance

The interview held with the vice human resource manager showed that, BG1 Ethiopia has individual performance measurement system that is integrated with incentive and motivation plan. The company measures its employee performance twice a year. The first measurement is held on July each year and known by employees as "short term” performance measure. This measure is aimed at alerting employees to the second phase of performance measurement which held on December 31st. The purposes of these measures are, determining the value of all employees, improving employee’s performance and identifying the need for trainings. In all these processes if any default is identified, employees will be communicated by direct letter. The immediate boss is responsible to measure its employee’s performance and later the result of employees in all departments will be given to the human resource department.

4.4 Incentives and Motivations

BGI Ethiopia uses reward system for different purpose. Primary, it uses to motivate employees to greater performance. As far as concerning the interview held with w/o Alemtsehay Yamane, the reward system is also used to inform employees about which parameters are important and where they should put their focus at the future time. Furthermore, it also used to retain key performers as well as to attract competent employees used to employees and it way for the company to share profits with the employees and making them feel appreciated.

4.4.1 Group Vs Individual Incentives

The discussion about group or individual based incentives, interview with the vice Human resource manager claimed, BGI Ethiopian is currently using a combination of these two modes of incentives. But, it ought to prefer more individual based rewards since; they are supposed to be more independents.

4.4.2 Current Reward System

BGI Ethiopian has a reward and compensation system that integrated two groups within the company. The first, Category contains the management staff and the second is for remaining employee. In order to analyze, the types of incentives and reward being used by BGI Ethiopia, which is the relevant question in the study, 49 types of incentives and rewards which contains monetary, non- monetary intangible and non-monetary tangible that has been used by different companies were identified from the literature Pattanayak, (2005). These 49 types of incentives were given to the employee of department and they are asked to choose incentives that are being used by the company. Table 3 shows the 49 incentives type identified.

Table 9: Types of Incentives and Rewards

Part 2	Incentives	No of respondents	Percentage (%)
From the list of incentives and rewards below, chose the incentive and rewards your organization uses for motivating employees.	Monetary	60	82
	Tangible Non-Monetary	5	7
	Intangible Non-Monetary	8	11
Total		**73**	**100**

Source: Own computation, 2019

The findings show, the reward and incentive system in use extensively consists of monetary rewards about (82%), tangible non-monetary is (7%) and Intangible Non-Monetary is (11%). The only thing that could be non-monetary incentives is that, the festive basher, coffee breaks, Job rotation, training, and growth. In general, BGI Ethiopia do not use non-monetary incentives in greater extent to motivate it employees. The following table shows types of incentives and reward being used by BG1 Ethiopia

Table 10: Types of Incentives and Rewards Being Used by BGI Ethiopia

MONTARY INCENTIVES	TANGIBLE NON – MONTARY INCENTIVES	INTANGIBLE NON-MONTARY INCENTIVES
DIRECT COMPENSATION: ○ Base salary ○ Commission ○ Bonus IN DIRECT COMPENSATION: ○ Insurance for health/disability/ life ○ Profit sharing plans ○ Retirement plans ○ Educational ○ Overtime policy ○ Paid leave ○ Unpaid leave ○ Subsidized utilities ○ Travel expenses	TREATS: ○ Festival bashes ○ Coffee breaks	TASK RELATED REWARDS: ○ Meaningful work ○ Job rotation ○ Training ○ Representing the company at public ○ Promotion ○ Flexible hours

Source: Own computation, 2019

4.4.3.1 Monetary Incentives

As we can see from the above table, out of the 16, monetary incentive identified the company exclusively relied on 13 monetary incentives to motivate its employee. The major monetary incentives include performance-based salary, short term incentive plan and long –term incentive plan. The short-term incentive plan is usually received in the form of cash bonus and commission. This type of incentive is given to employees based on the performance result of each employee that is done twice a year. The long-term incentive plan is defined over periods greater than one year. It is given to employees for specified years mostly 3 to 4 years. The company assesses the cost of living and inflation level each year and provided increment in salary to enhance the level of living for its employees.

4.4.3.2 Long – Term Incentives

BGI Ethiopia is monitoring the long - term incentives as main motivation factor. According to w/o Alemtsehay Tamene, the vice Human resource department head, considering the country's economic situations, inflation, BGI Ethiopia pays incremental salary to enhance the living level of its employee which mostly lasts to three years. This payment is based on the following criteria:

- If sales within the year increases by 20% than the budgeted amount, 2% of salary increase will be paid. In addition, 3% of total last year salary will also be paid.
- If sales increase by 50% than the budgeted one, additional 2% of their salary will be paid.

This long-term incentive is based on the result obtained from individual performance measure which held each year and uses the following scale:

STATUS	*POINTS*		*SALARY INCREASE %* *OF MONTHLY SALARY*
	From	To	
Unsatisfactory	0.01	1.0	0.5
Average	1.01	2.0	1.5
Good	2.01	3.0	3.0
Very Good	3.01	4.0	4.0
Excellent	4.01	5.0	5.0

4.4.3.3 Non – Monetary Incentives

In today's workplace, the use of tangible non-monetary incentives to motivate employees and boost performance is ever increasing. The 2005 Incentive Federation Study of the top 5 most frequently used tangible non-monetary incentives are gift certificates, plaques/trophies, apparels, cameras and watches. Tangible non-monetary incentives are as important as monetary incentives.

However, BGI Ethiopia does not use tangible – non monetary incentives as main tool to motivate its employee. As it is shown in table 7, out of 20 tangible – non incentives identified, from the total incentive (7%) the company is using only 2 incentives. There for, one can say that, BGI Ethiopia does not give emphasis for tangible – non monetary incentives.

4.4.3.4 Intangible Non- Monetary Incentives

It is widely believed that Praise and recognition boost employees' morale as it allows employees to think better of themselves and their ability to contribute to organization goals. Employees with high self-esteem are more intrinsically motivated, optimistic, willing to work harder, participative at work, work efficiently, have lower absenteeism rate and are generally more satisfied with their jobs Scott & Shaffer, (2007).

BGI Ethiopia has given a less attention to motivational value that can be achieved by intangible non – monetary incentives. As it is shown in table 3, out of 16 intangibles non – monetary incentives identified, the company is monitoring only 6 intangibles non – monetary incentives to motivate its employees which is (11%) from incentive. As it is discussed in BGI Ethiopia's short – term incentive practice, bonus has been used as a form of profit sharing to employees. But employees stock ownership plan has not been an issue and are not used as a motivation factor.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary and Conclusion

The intention of this study was to assess BGI Ethiopia on selected elements of management control system specifically, reviewing the present practices being monitored, comparing those practices with the theoretical frameworks and research findings, then to recommend on how to improve these variables to give strength for organization's management control system in general and result control variables in specific. A qualitative research method was chosen with the main emphasis to gain insight of the organization's operations and to construct explanations. The findings of this study provide useful information in this regard. Based on the findings and the information gathered in the process of this study, the following conclusions and recommendations are drawn:

Most competent managers spend considerable time thinking about the future. The result may be an informal understanding of the future directions the entity is going to take (or) it may be formal statements of specific plans about how to get future position. Such statement of plans is known as a strategic plan Anthony and Govindarjan (2001). Accordingly, BGI Ethiopia has a general business strategy that is continuously increasing quality of its product and market share through customer satisfaction to get higher financial profits.

According to Simons (2002) business level strategy is about how to compete in defined product market. Question such as "how we can differentiate ourselves from competitors to create value in the market place?" and "How can we offer something unique and valuable to our targeted customers?" are typical business level strategy. BGI Ethiopia uses quality products and customer satisfactions as the core weapon to be differentiated from other competitors.

BGI Ethiopia is customer-based company. According to Neely et.al (2005), companies which are customer based, does whatever it takes to provide products for unique customers' needs and do not look for one-time business, instead focus on long term customer relationship built through responding to unique customer needs. Accordingly, BGI Ethiopia is extending various kinds of support to beer sellers in order to guarantee the safe delivery of beer to customers and to increase its customer satisfaction. BGI Ethiopia is the only and first enterprise to offer such service free of charge which has a significant role in creating strong customer intimacy.

As per Fin and Hax (1998), for most of industrial companies, the manufacturing operations is the largest the most complex and most difficult to manage components of the firm. Because of this firms must have comprehensive manufacturing strategies. Major strategies at manufacturing process includes, reducing production cost, improving product quality and reducing amount of production waste. Even through it is not clearly stated, BGI Ethiopia is monitoring the widely recommended manufacturing process strategies. Reducing the production cost, increasing quality of products and reducing production waste are core components of company's manufacturing process strategy.

Thompson and Strickland (2002) argues, good strategy is the one well matched to companies external and internal situations and as the company situation changes in a significant way, adjustment in a strategy typically are needed. Bedford et.al. (1989), also argues, without constant classification and reformulation strategy become ambiguous. Accordingly, BGI Ethiopia's business strategy has been changing due to deliberate or emergent change in the environment. For instance, in the last periods, its strategy has changed due to the dynamic nature of business environment mainly, customers and competitors. The company has regional experts who are responsible in assessing the overall business environment which has been core input in designing new strategy. However, the period of reviewing the existing strategy is not clearly stated.

Felltham and Xie [1994], in analyzing the choice of performance measure, the new performance measure indicates performance measurement system should in corporate any financial and non-financial measure that provides incremental information on managerial efforts. Despite this model, firms traditionally have relied almost exclusively on financial measures such as budgets, profits, accounting return stock return for measuring performance [Balkcony et al, 1997]. BGI Ethiopia's approach to performance measurement is supplementing extensive traditional financial measure less mix of non – financial measures. As result showed, out of 38 non-financial measures the company is monitoring only 17 non-financial measures and out of 26 financial measures identified, it is using 25 financial measures. The company gave very less emphasis for the real performance measuring variables.

When we look the practice of performance measuring process for both entity and individual level, BGI Ethiopia has been extensively using the one that relate financial performance to the planned one giving less importance for quality, flexibility resource utilization and innovation which referred to us non-financial measure. For measuring individual's performance, BGI Ethiopia is using various criteria and performance indicators in measuring its employee performance which is not recommended.

Generally, in performance measurement practice assessed, there are some practice that been used with little modification in theoretical principles and many of the practices are in line with theoretical principles. Apart from this the system being used has various best practices that should be kept up. These include, conducting twice a year performance measurement for favoring poor performers, adopting close supervision in measuring process, quick communication of result to employees with the necessary feedback and training for poor performers.

According to condly, 2003, people can either work as individuals or as part of units and various invectives incentives programs target either the group or individuals. Presumably, individuals have more control over the outcome, when it's more under their individual and in fact put considerable effort and incentives targeted to individual employees would be more powerful than team incentives. The empirical findings are in line with most of the expectation out lined from the literature, BGI Ethiopia is using both group and individual based incentives giving higher emphasis on individual based incentives.

The reward and incentive system in use extensively consists of monetary rewards; both short term and long-term incentives and do not use non-monetary incentives [both intangible and tangible non-monetary incentives] in greater extent to motivate it employees. The only thing that could be non-monetary incentives is that, the festival basher, coffee breaks, Job rotation, training and growth. According to Shane et.al [2001], Employees whose efforts relate closely to key performance result such as executives, production and sales workers may benefits the most from monetary incentives. Nevertheless, organization cannot rely solely on monetary incentives to motivate the diverse work force due to limitation it brings. First, According to Mintezberg's theory money can prevent employee's dissatisfaction but does not necessarily motivate. Second, while employees see bonus payments in positive light, these are however, negative impacts on motivation if the incentives plan is not carefully designed.

According to research findings by Condly et al (20030, of all adequately designed field and laboratory research on the use of incentives to motivate performance on approximately 600 studies, 45 were qualified and has discovered that long - term incentives generate higher performance out comes than short- term incentives programs. BGI Ethiopia's incentive and motivation plan has also long- term incentive to motivate employees.

5.2 Recommendation

***Strategy Planning*:** the strategic planning practice being used by BGI Ethiopia is in line with the theoretical propositions derived from the literature and control by using goals is highly emphasized. Its business strategy has been changing due to deliberate or emergent change in the internal and external environment.

However, the period of reviewing the existing strategy is not clearly stated. As it is argued by different authors, strategy should not only be reviewed when the pressure comes from both internal and external environments, rather it should be reviewed continuously. BGI Ethiopia must adopt a proactive system with proper revision period for its objectives and plans to achieve its objectives.

Performance Measurement and Evaluation: The new performance measurement literature indicates, performance measurement system should in corporate any financial and non-financial measure that provides incremental information on managerial efforts. However, BGI Ethiopia's approach to performance measurement is supplementing extensive traditional financial measure less mix of non – financial measures. As it is argued by different scholars, the non-financial measures are the real measure of performance and they are less exposed to data manipulation as financial measures. Therefore, BGI Ethiopia should make a tradeoff of using between financial and non- financial measures and extend to the emerging widely recommended performance measurement system such as BSC.

Fitzgerald et.al 1995, suggest two types of performance measurement process for both entity and individual level. These are those relates the result, i.e. financial performance, competitiveness to the planned one and that focus on the determinants of the results i.e. quality, flexibility resource utilization and innovation. BGI Ethiopia has been extensively using the one that relate financial performance to the planned one giving less importance for quality, flexibility resource utilization and innovation[non-financial]. It must also explore the other side, because it is proved that, they tend to provide real information about firm's performance for managers.

Bernalak 1997, in measuring individual performance important attention should be given in limiting the data requirement and to both necessary details and frequency because it sometime take long time in analyzing those data and can lead to move harm than good. However, the empirical findings showed BGI Ethiopia using different various criteria and performance indicators in measuring its employee performance. Thus, these indicators must be limited in number and comprehensive in nature to alleviate those problems.

Incentives, reward and motivations: The reward and incentive system in use extensively consists of monetary rewards; both short term and long-term incentives and do not use non-monetary incentives both intangible and tangible non-monetary incentives. However, when carefully designed and implemented, tangible non-monetary incentives pegged to performance can be a very effective tool for motivation and to increase productivity. Since tangible non-monetary incentives are often less expensive easily administered and more personal, it can be used to consistently reward employee's excellent performance, the company should consider these types of incentives to motivate its employees.

Showing appreciation to employees often goes beyond friendly social gestures. Employees want to feel appreciated and valued by the organization. This is where recognition comes in. Employees whose efforts are recognized feel good about themselves and hence a strong mental link between their actions and the positive emotional reward is formed. The in tangible non-monetary incentives does not cost the company, rather it need only commitment and have a significant value in motivating employees. Therefore, the company needs to adopt these incentives for motivating its employees in achieving the organization.

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APPENDIX

APPENDIX A

ST. MARY'S UNIVERSITY

GRADUATE SCHOOL OF BUSINESS

Dear Participant,

The questionnaire is designed to conduct a research on the topic "***The Assessment of Management Control System in manufacturing company in the case of BGI Ethiopia Plc***"**.** the purpose of the study is for the partial fulfillment of the requirement of master's degree in business administration. The study is purely for academic purpose and thus not affects you in any case. So, your genuine and timely response is vital for success of the study. Therefore, I kindly request you to respond to each items of the question very carefully.

General Instructions

There is no need of writing your name Where answer options are available please tick (√) in the appropriate box for part I and circle for your response to each statements of part II.

Contract Address

If you have any query, please do not hesitate to contact me and I am available as per your convenience at (Mobile: 0925- 70-07-07 or e-mail: yonatan.teshome2018@gmail.com)

Thank you for scarifying your precious time in advance!

PART I: Demographic Information

1. Gender ☐ Mail ☐ Female

2. Educational Qualification: ☐ Grade 10 completed ☐ Grade 12 Completed ☐ certificate

☐ College diploma ☐ first Degree Second Degree and above

3. Experience in the organization

☐ For less than a year ☐ 2-5 Years ☐ above5 years

4. Position

☐ Managerial position ☐ Division Head ☐ Non-Managerial position

5. How long have you been working in your current position.

☐ Less than 1 year ☐ 1-5 years ☐ 5-10 years ☐ More than 1 year

2. ABOUT PERFORMANCE MEASUREMENT [QUESITIONNER]

1. ENTITY LEVEL

MARKETING OR SALES DEPARTMENT

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

S.NO	ITEMS	YES	NO
1	Average sales order		
2	Number of new customer contacts		
3	Number of warranty claims		
4	sales per region		
5	customer loyalty		
6	market shares		
7	Deliver lead time		
8	Number of customer orders completed		
9	Frequency of delivery		
10	Number of customer orders receive		
11	Total Costs by department		
12	Total expenses		
13	Total net cash flows		

[OR]

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

PRODUCTION DEPARTMENT

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

S.NO	ITEMS	YES	NO
1.	Amount of finished goods inventory		
2.	Amount of material scrap produced		
3.	Amount of raw material inventory		
4.	Amount of work in process inventory		
5.	Cost per unit produced		
6.	Number and length of down time		
7.	Inventory turnover ratio		
8	Number of units of finished goods in the inventory		
9.	Number of units produced		
10.	Rate of production capacity or resources used		
11.	Number of machine or plant hours used		
12.	Quantity of energy consumed		
13.	Unit of output per hours of labor used		
14.	Production waste		
15.	Unit of output per unit of raw materials used		
16.	Cost per damaged unit produced		
17.	Manufacturing lead time		
18.	Rate of production introduction		
19.	Material quality		
20.	Output quality		
21.	New product development		

(OR)

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

ACCOUNTING DEPARTMENT

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

S.NO	ITEMS	YES	NO
1.	Cost of goods sold		
2.	Gross profit margin		
3.	Total sales of revenues		
4.	Net profit		
5.	Return on equity (ROE)		
6.	Return on investment (ROI)		
7.	Customer satisfaction: survey ratings		
8.	Return on assets (ROA)		
9.	Return on capital (ROC)		
10.	Risk adjusted return on capital (RAROC)		
11.	Return on capital employed (ROCE)		

(OR)

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

PART TWO [QUESITIONNER]

From the list of incentives and rewards below, chose the incentive and rewards your organization uses for motivating employees: (you can tick more than one)

1. Among the following **Monetary incentives** which is often used by the BGI Ethiopia?

(A) Direct Compensation ☐ (B) Indirect Compensation ☐

(C) Employee stock ownership plan (ESOP) ☐

If you have other monetary incentive your company used or to use?

---

2. Among the following **Tangible Non-Monetary Incentives** which one is often used by BGI Ethiopia?

(A) Free meal treats☐ (B) Awards ☐ (C) Knick-knacks ☐ (D) Tokens ☐

3. Among the following **Intangible Non-Monetary Incentives** which one is frequently used by BGI Ethiopia?

(A) **Social rewards** ☐ (B)**Task-related rewards** ☐

(OR)

How do you think your company is using Tangible Non-Monetary Incentives and Intangible Non-Monetary Incentives?

THANK YOU ALOT FOR YOUR TIME!!!

APPENDEX B

PLANNING DEPARTMENT

RESPONDANTS PROFILE:

POSITION__________________________________

1. ABOUT MISSION, VISION AND STRATEGY [INTERVIEW]

1 What are the strategic objectives of your organization?

2. Have you ever update your strategies with change in the environment?

3. How does your organization make changes in strategies?

4. If yes, what are those drivers?

5. How does it help you strategic planning software?

2. INDIVIDUAL PERFORMANCE MEASUREMENT [INTERVIEW]

HUMAN RESOURCE DEPARTMENT

RESPONDANTS PROFILE: POSITION__________________________________

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

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

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

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

[OR]

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

3. INCENTIVE, REWARD AND MOTIVATION [INTERVIEW]

HUMAN RESOURCE DEPARTMENT

RESPONDANTS PROFILE: POSITION___________________________________

PART ONE

1. What is the incentive and reward practice being used by your organization to motivate employees?

2. What kind of incentives and rewards are being used in your organization? (Intrinsic / extrinsic, monetary/ non- monetary, long-term/ short term) and what criteria are used to select those tools?

3. How often your organizations provide incentive and reward to motivate employees? (The time pattern)

4. Do you think that incentive, reward for motivations used as a controlling mechanism?

5. Is there key employees turn over? How do judge the turn over?

APPENDEX C

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Mesfin Tesfaye. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

Name______________________Signature____________________________

St. Mary's University, Addis Ababa **January, 2019**

APPENDEX D

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

Advisor_________________________ Signature__________________

St. Mary's University, Addis Ababa January, 2019

BGI Ethiopia's Organizational Structure

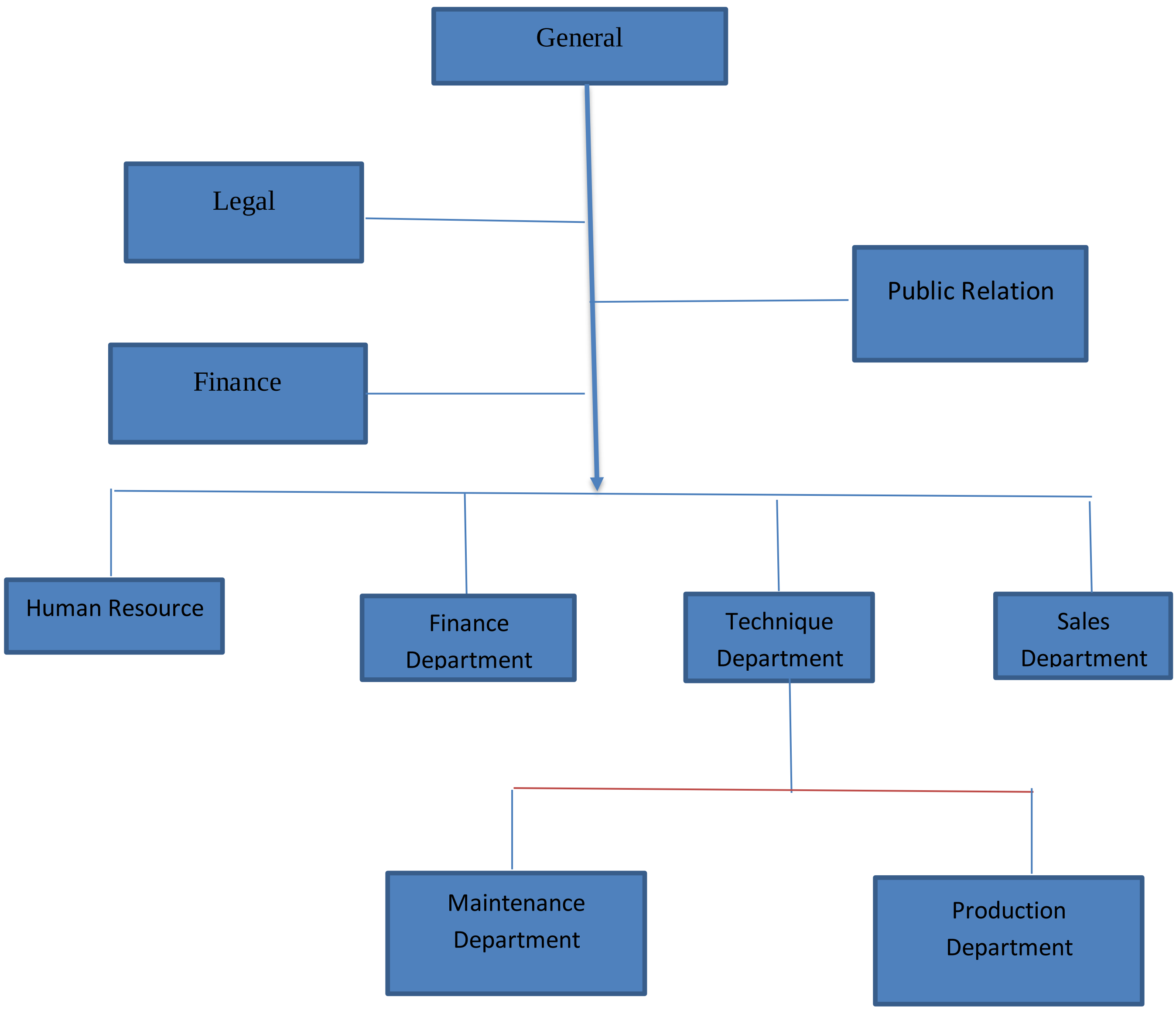

Figure 1

Population size	Sample Size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-150,000	200	500	800

Source: Carvalho (1984)