

The Management Control System in a Growing Family Firm

by
Kali Lynn Henderson

A THESIS

submitted to
Oregon State University
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degree of

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(Honors Scholar)

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Christopher Akroyd

Many firms start off as small family businesses which are controlled through the culture imprinted on employees by the founder. As the business grows, family owners and the executives that they hire, face a dilemma – how do they manage the trade-off between wanting to control the business in order to improve performance (business identity) and keeping the familial feel of the firm (family identity). Using a case study carried out at Industrial Finishes & Systems, a rapidly growing entrepreneurial family firm with a familial culture based on religious values, this thesis examines the management control system (MCS) that emerged as a family firm scaled its business to better understand the relationship between the use of MCS and its effect on business and family identity. After conducting 20 interviews with Industrial Finishes, I found that family firms can balance their family and business identities through the use of cultural controls based on religious values. I found that the other management controls, which supported the business identity, helped to reinforce the familial identity. In conclusion, religious values enable a balance between identities in a growing family business.

Key Words: Cultural control, Religion, Family firm, Management control system

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Honors Baccalaureate of Science in Accountancy project of Kali Lynn Henderson presented on May 29, 2020.

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I understand that my project will become part of the permanent collection of Oregon State University, Honors College. My signature below authorizes release of my project to any reader upon request.

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TABLE OF CONTENTS

INTRODUCTION	9
LITERATURE REVIEW	11
<i>MANAGEMENT CONTROL SYSTEM (MCS)</i>	11
TABLE 1: MALMI AND BROWN’S (2008) MCS PACKAGE TYPOLOGY	11
<i>FAMILY FIRMS USE OF MANAGEMENT CONTROLS</i>	12
<i>CULTURAL CONTROLS</i>	14
<i>RELIGION AS A CULTURAL CONTROL</i>	15
<i>STEWARDSHIP THEORY</i>	16
METHODOLOGY	18
<i>CASE STUDY METHOD</i>	18
TABLE 2: INTERVIEW QUESTIONS	19
TABLE 3: CASE STUDY DATA	20
<i>CASE STUDY SITE</i>	21
TABLE 4: ORGANIZATIONAL CHART	22
TABLE 5: INDUSTRIAL FINISHES RECENT GROWTH AND ACQUISITION MILESTONES	23
FINDINGS	23
<i>FOUNDER’S BACKGROUND</i>	23
<i>CULTURAL CONTROLS</i>	25
<i>FAMILIAL CULTURE IN ACTION – THE “DOERS”</i>	26
<i>ADMINISTRATIVE CONTROLS</i>	30
<i>PLANNING CONTROLS</i>	35
<i>CYBERNETIC CONTROLS</i>	38
<i>REWARD AND COMPENSATION SYSTEMS</i>	40
TABLE 6: INDUSTRIAL FINISHES’ MCS PACKAGE	42
APPENDIX	51
APPENDIX A: INDUSTRIAL FINISHES GROWTH AND ACQUISITION MILESTONES	51

INTRODUCTION

While the majority of firms in both the US and around the world are family businesses (Astrachan and Shanker, 2003) the literature on these kinds of businesses makes up only a small amount of the total management accounting and control research. Why is it that other company forms have been examined in such detail but the most common form - the family business - has not?

Family businesses are often controlled through the culture imprinted on employees by the founder (Akroyd and Kober, 2020). As the business grows, family owners and the executives that they hire, face a dilemma – how do they manage the trade-off between wanting to control the business in order to improve performance (business identity) and keeping the familial feel of the firm (family identity). In this thesis, I seek to examine the management control systems (MCS) that emerged from a family firm who scaled its business to better understand the relationship between the use of MCS and its effect on business and family identity.

The MCS operating in most organizations can be viewed as a package of different types of control systems, including, cultural, administrative, planning, cybernetic, and reward systems (Malmi and Brown, 2008). Research shows how cultural controls can be the main control used to enable companies to grow and that other controls are designed and used when necessary to reinforce cultural controls (Akroyd and Kober, 2020; Akroyd et al., 2019). What we don't know is how these other controls may, over time, change the reliance of a company on cultural controls and the effect this has on business and family identity.

This paper draws on the descriptive strengths of a case study (Ahrens and Dent, 1998) to better understand the MCS in a growing family firm. In order to develop a holistic understanding of the controls used in companies, I conducted a case study which investigated the design and operation of the MCS package at Industrial Finishes & Systems (aka Industrial Finishes), a rapidly growing entrepreneurial family firm with a familial culture based on religious values.

This thesis contributes to the accounting and management literature in the following ways. First, I highlight the interaction between cultural controls and other

management controls to show how cultural controls play a major role within the MCS package. This enables me to build on research that suggests management controls are underpinned by culture (Ferner, 2000; Akroyd and Kober, 2020)

Second, I show the importance of maintaining a balance between the cultural controls and the other management controls. Family firms have to balance and integrate the demands of the family and business orientations, which can be a challenge in family firms (de Kok et al., 2006; Leenders and Waarts, 2003; Stanley et al., 2017). To maintain the balance, each newly introduced management control must act in a complementary manner to existing cultural controls. This ensures the management controls work as a system, resulting in the MCS package remaining in balance and thus able to support a company's growth. Third, I use stewardship theory to show how an MCS package based primarily on cultural control founded on religious values (Chatters and Taylor, 2005) enabled the family identity to continue while supporting the use of other management controls which focused on improving business performance.

This thesis is organized as follows. The next section presents a synopsis of the literature, an overview of the MCS package and other literature surrounding the balance between cultural controls and other management controls. I then present the research method along with the company background. The following section describes the background of Industrial Finishes and the founder. The subsequent sections present the control systems comprising Industrial Finishes' MCS package and the integrated operation of the cultural controls within the business and family identities. The final section discusses the MCS package at Industrial Finishes in relation to their familial culture based on religious values and concludes with a summary of the findings.

LITERATURE REVIEW

Management Control System (MCS)

To categorize management controls, this thesis is framed around Malmi and Brown's (2008) MCS package typology (see table 1). I use this typology as it covers a broad range of controls (cultural, administrative, planning, cybernetic, reward and compensation) which have been found in the management control literature.

Table 1: Malmi and Brown's (2008) MCS Package Typology

Cultural Controls						
Clans		Values			Symbols	
Planning		Cybernetic Controls				Reward and Compensation
Long range planning	Action planning	Budgets	Financial Measurement Systems	Non-Financial Measurement Systems	Hybrid Measurement Systems	
Administrative Controls						
Governance Structure		Organisation Structure			Policies and Procedures	

(Reprinted from Management Accounting Research, Vol. 19 No. 4, Malmi, T. and Brown, D.A., Management Control Systems as a Package - Opportunities, Challenges and Research Directions, pp. 291, Copyright 2008, with permission from Elsevier)

Control type	Description
Cultural controls	Encompass the organizations values, beliefs and social norms. Control established by recruiting and socializing the right individuals and through shared ceremonies and rituals
Planning Controls	Establish goals and standards, and align effort across organizational units.
Cybernetic Controls	Set direction and keep the organization on track by identifying deviations from expected financial and non-financial performance standards.
Reward and Compensation Controls	Motivate effort and evaluate and reward performance.
Administrative Controls	Specify who is accountable to whom, how tasks are performed and how behavior is monitored. Governance structures establish formal lines of authority and accountability and organizational structure facilitates or deters certain types of interactions. Policies and procedures establish rules and provide bureaucratic guidance on standard operating procedures.

Cultural controls are “the set of values, beliefs and social norms which tend to be shared by [organizational] members and, in turn, influence their thoughts and actions” (Flamholtz, 1983) Administrative controls “direct employee behaviour through the organising of individuals and groups, the monitoring of behaviour and how you make employees accountable for their behaviour, and the process of specifying how tasks or behaviours are to be performed” (Malmi and Brown, 2008). Planning controls direct effort and behaviour of organizational members by establishing goals across functional areas and providing the expected standards to be achieved (Malmi and Brown, 2008). Planning controls also enable coordination across functional areas through the alignment of goals (Malmi and Brown, 2008). A cybernetic control is “a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the system, and modifying the system’s comporment” (Green and Welsh, 1988). Reward and compensation controls focus on creating goal congruence between organizational members and the organization through linking their financial interests. The underlying assumption is that rewards and compensation lead to increased efforts by organizational members as they wish to maximize their own financial well-being (Bonner and Sprinkle, 2002). Thus, these increased efforts benefit both the organization and the individual.

It should be noted that while this typology looks static there are interactions between components of an MCS package which have been shown to be important for understanding management control (Alvesson and Karreman, 2004; Cäker and Siverbo, 2014; Sandelin, 2008).

Family Firms Use of Management Controls

Prior research acknowledges that family firms possess two identities, being the family and the business (Klein, 2008; Sundaramurthy and Kreiner, 2008). From a management control perspective, the dilemma of harnessing the positive attributes of the interacting business and family identities while limiting the negative attributes of

each system translates into a dual – at times competing – control ambition of nurturing economic rationality and familial affectivity (El Masri et al., 2017).

To accomplish their control ambition, organizations implement management controls, which are often referred to as practices of influencing behavior and supporting organizations in their accomplishment of objectives (Anthony, 1965; Flamholtz et al., 1985; Anthony et al., 1989; Merchant and Van der Stede, 2012). However, management control technologies may impair emotional wealth because decision settings are infused into a countable monetary frame, excluding their emotive side (Choudhury, 1988; Catasús, 2008). Henceforth, refraining from reverting to management control technologies may be liberating by letting trust, constructive ambivalence, symbolic meaning and liberating forces unfold (Choudhury, 1988; Hänninen, 1995; Jacobs and Kemp, 2002; Munro, 1995).

El Masri et al. (2017) found that in the context of management control technologies, the dual identity translated into a “business versus family” dichotomy in which the use of management control technologies can shift the identity of the firm more toward business and thereby, at the same time, away from family. Thus, the use of management control technologies appears to be a choice of identity on a singular continuum between family and business: more business and thereby less family-like, or more family and thereby less business-like.

According to El Masri et al. (2017), family firms seem to perceive management control technologies as a means through which they can foster economic rationality and thereby reduce familial affectivity. Not or minimally using management control technologies is rationalized by the family firms as staying true to the family side of the firm. Emotions, familial work environment, reliance on people, trust and instinct were highlighted by family firms that made no or only minimal use of management control technologies. Relationships within family firms are often characterized by altruism, loyalty, trust and long-term employment (Schulze et al., 2001; Steier, 2001). High levels of trust can reduce the need for formal monitoring and incentive compensation (Chrisman et al., 2007). Because of the overlap between family, ownership and management, it is possible that some family members are involved in all roles, whereas others may only be involved in ownership (Helsen et al., 2017). Kim and Gao (2010)

argue that this situation can lead to a reduction of altruism and efficient collaboration and information exchange, which are normally significant benefits of family firms, and hence also creates a different type of agency costs. Consequently, the need for MCS increases.

Cultural Controls

While financial controls such as performance measures, financial reports and budgets are often seen as the core of a management control package (El Masri et al., 2017) there is growing evidence that cultural controls can also play this role (Akroyd and Kober, 2020; Akroyd et al., 2019). According to Malmi and Brown (2008), rewards and compensation controls can be used to encourage cultural controls, via group rewards. If a family firm has built their control package based on cultural controls there may be less impairment of emotional wealth/family identity (El Masri et al., 2017).

Flamholtz et al. (1985) defined organizational culture as “the set of values, beliefs and social norms which tend to be shared by its members and, in turn, influence their thoughts and actions” (p. 158). This view of culture is supported by a range of accounting-related research (Birnberg and Snodgrass, 1988; Dent, 1991; Pratt and Beaulieu, 1992). While culture may exist as a context for an organization and may at times be beyond the control of managers (Clegg et al., 2005), culture is nonetheless a control system when it is used to regulate behavior. I consider three aspects of cultural control; value-based controls (Simons, 1995), symbol-based controls (Schein, 1997), and clan controls (Ouchi, 1979), which Malmi and Brown (2008) integrated into their MCS package typology.

Simons (1995) developed the concept of value controls through what he described as belief systems. These are defined as “the explicit set of organisational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organisation”. These organizational definitions espouse the “values and direction that senior managers want subordinates

to adopt” (p. 34), while mission statements, vision statements, credos and statements of purpose, are examples of belief systems which convey values (Simons, 1994).

Malmi and Brown (2008) explained how the impact of values on behavior, institutionalized through belief systems, works on three levels. The first is when organizations deliberately recruit individuals that have particular types of values which match with those of the organization. The second is when individuals are socialized and have their values changed to fit the organizational values (Alvesson and Karreman, 2004). The third is when values are explicated and employees behave in accordance with them, even if they do not adhere to them personally.

Symbol-based controls are when organizations create visible expressions, such as building/workspace design and dress codes, to develop a particular type of culture (Schein, 1997). For example, an organization may create an open plan office to create a culture of communication and collaboration in an attempt to control behavior. Similarly, an organization may require staff to wear a uniform (such as a flight attendant) in order to create a culture of professionalism (Malmi and Brown, 2008).

Drawing on a history of cultural research, Dent (1991) argues that there are distinct subcultures within organizations and this claim is supported by Clegg et al. (2005). These subcultures or micro-cultures or individual groups can be labelled as clans (Malmi and Brown, 2008). Ouchi (1979) developed the concept of a clan in management control research. His concept rests upon the idea that individuals are exposed to a socialization process that instills in them a set of skills and values. This socialization process may relate to groups, such as professions (i.e. doctors or accountants), or groups within organizations which form some other kind of boundary, such as an organizational unit or division (Malmi and Brown, 2008)

Religion as a Cultural Control

Values are seen to be essential drivers of the culture that emerges in the family firm (Aronoff, 2004), and the values and resulting culture can endure for generations (Hall and Nordqvist, 2008). According to Paterson (2013), family businesses possess cultural features that may enable the expression of spiritual and religious values more

readily than non-family businesses. Neal and Vallejo (2008) argue that family businesses possess certain cultural advantages that make them more likely to become spiritual businesses. These cultural advantages include loyalty, trust and communication; shared values and shared beliefs; great flexibility; long-term orientation; and intimate knowledge of the business.

The conceptualization of spirituality at work proposed by Ashmos and Duchon (2000) and modified by Milliman et al. (2003) include the three aspects of workplace spirituality which are meaningful work, community, and alignment with organizational values. Family business owners are likely to experience meaning in their work to the extent that they have been able to express their own identity in the creation and maintenance of the family business (Fauchart and Gruber 2011). According to Paterson (2013), a sense of community is likely to occur in some family businesses as members of the controlling family not only share workplace relationships but familial relationships as well. Finally, alignment with organizational values is likely for controlling family members to the extent that family members have been able to incorporate their own values into the culture of the business (Paterson, 2013). Overall, the existing literature suggests a role for religion in family businesses, if the controlling family possesses religious or spiritual values.

Stewardship Theory

This thesis uses stewardship theory to understand the use of MCS in a family firm. From a stewardship perspective, management controls are used to increase managers' involvement and engagement in the firm (Davis et al., 1997), to provide managers with information about organizational goals and progress towards those goals (Chrisman, 2019), and to prevent stewards from turning into self-interested and opportunistic agents (Segal and Lehrer, 2012). According to stewardship theory, not all agents are extrinsically motivated and act in their own interest, but some agents are intrinsically motivated and serve in others' interest. These latter agents are considered to be stewards (Davis et al. 1997; Hernandez 2012).

In general, stewardship theory suggests that formal controls may be unnecessary in family firms because of the strong bonds of kinship and trust (Helsen et al., 2017) especially the interpersonal trust centered on family ties (Sundaramurthy and Kreiner, 2008). Beyond trust, the cohesion of the management team has been suggested as a determinant of the choice of management controls in a family firm (Helsen et al., 2017).

According to Quinn et al. (2018), stewardship in family firms can explain the design of management accounting and control systems. For instance, it is argued that in an environment characterized by stewardship, there is lower need for formal monitoring and control. Since monitoring and control are two functions of management accounting and control systems, family firms showing a stewardship culture should rely less on formal management accounting and control systems (Quinn et al. 2018). On the other hand, when a family firm is rapidly growing new employees may not be familiar with the cultural controls and so the need for other types of control may be necessary to support the cultural controls (Akroyd and Kober, 2020 Akroyd et al., 2019).

In family firms that have close working relationships with nonfamily members, it is not uncommon to view everyone as part of the extended family. For example, the study by El Masri et al. (2017) reported that the founding owner of one case company did not regard his business as a family business, despite owning 100 percent of the company, stating ‘it’s not a family business but a business that treats everyone like family’. The ability of family firms to see nonfamily members as family suggest they are more accepting of a stewardship approach to management controls.

Typically, when family members enter the firm they have already internalized the family’s values and beliefs. As they are socialized into the business the values of the family and the firm merge to create a unique business identity (Pagliarussi and Costa, 2017). The formal belief system could enhance nonfamily members’ pro-organizational or stewardship behavior as “[o]rganizational values... are strongly related to commitment” (DeMartini, 2014).

By using stewardship theory, I aim to show how an MCS package based on cultural control founded on religious values (Chatters and Taylor, 2005) enabled the

family identity to continue while supporting the use of other management controls which focused on improving business performance. The details of the case study are presented below.

METHODOLOGY

Case Study Method

This thesis reports on a case study of Industrial Finishes & Systems, an innovative, technology-focused, family owned industrial product distribution company, to examine how culture impacts the MCS package. The research design involved collecting a wide variety of information through interviews with employees, managers and the founder, observations of company practices, internal company documents, press releases, and the company website. After searching for a company with a strong culture and connecting with Industrial Finishes, I commenced the study learning about the company by searching their website and then carried out 20 interviews.

In order to guide the interviews, I developed an interview protocol. Based on similar studies, I developed interview questions that acted as a basis for the semi-structured interviews. Each interview started with some straightforward questions regarding the interviewees role at Industrial Finishes. This helped me familiarize myself with the organizational structure. The interviewees were asked five questions about their background then eleven broad questions to find out about the management controls used, while also providing flexibility to pursue other interesting avenues of discussion (see table 2). When answers were short or did not provide adequate detail, follow-up questions were asked in order to help the participant express their ideas more fully.

In total, I carried out 20 interviews which included the founder, the president, a board member, the vice president of finance, the director of marketing, the executive director of human resources, the coatings research and innovation manager, one branch manager, and 12 middle- and lower-level employees (see table 3). I

interviewed employees from different organizational levels to gain multiple perspectives about the design and use of the MCS at Industrial Finishes. By interviewing long time employees, I gained additional insights around the development of Industrial Finishes. Other interviewees included those that had recently been hired and could provide a newcomer’s perspective. The participation of employees from various levels and of different tenures helped ensure the robustness of data collected. To supplement the interviews, I visited the headquarters four times, toured two warehouses, one store, explored the company’s website, and reviewed press releases.

Table 2: Interview Questions

1.	Which year did you join the company?
2.	What is your current position?
3.	How many years have you been in this position?
4.	What other positions have you held?
5.	Where do you fit into the company structure (who do you report to and how many people report to you)?
6.	Is this a formal structure or are there a lot of informal interactions?
7.	How has the structure changed over the years?
8.	Tell us about your current role and what you do (responsibilities, authority, accountability).
9.	What are the goals of the company and how are they set and measured in your area?
10.	What control mechanisms are used? (policies, procedures, standards, guidelines, planning processes, financial and non-financial performance measures, mission, vision, core values)
11.	Which of these mechanisms are given the most attention in daily interactions and meetings?
12.	How do controls help facilitate company activities, learning, innovation, and change?
13.	How does the company culture help to enable control?
14.	Can culture be a substitute for other controls?
15.	How have controls changed while you have been at the company?
16.	Is there anything else that you would like to mention?

All of the interviews were audio recorded and transcribed. The transcripts were analyzed to identify how Industrial Finishes' culture had impacted their management control package. The results of the analysis were then linked to Industrial Finishes' website information, press releases, and observations made during the site visits. To provide contextual richness while maintaining the anonymity of the interviewees, I attribute the interview quotes by referring to the founder, board members, and upper management as executives and the remaining organization members as employees.

Table 3: Case Study Data

<i>Interviewee Position</i>	<i>Organizational Level</i>	<i>Time at Industrial Finishes</i>	<i>Interview Minutes</i>
Founder and Chairman of the Board	Executive	64 years	73
Vice Chairman of the Board	Executive	48 years	48
Branch Manager	Executive	34 years	47
Customer Accounts Coordinator	Employee	26 years	55
Customer Account Supervisor	Employee	25 years	50
Vice President of Finance	Executive	22 years	59
Corporate Credit Manager	Executive	19 years	45
President	Executive	17 years	44
Accounting and Analytics Manager	Executive	8 years	50
Director of Marketing	Executive	6 years	54
Data Systems and Process Specialist	Employee	6 years	62
Coatings Research and Innovation Manager	Executive	5 years	56
Operations Project Manager	Executive	5 years	49
Senior Accountant	Executive	5 years	57
Project Specialist	Employee	4 years	53
Central Purchasing Supervisor	Employee	3 years	58
Senior Accountant	Employee	2 years	53
Executive Director of Human Resources	Executive	1 year	59
Central Purchasing Agent	Employee	1 year	53
Accountant	Employee	1 year	57
Total interview hours			18
<i>Other data sources</i>	<i>Number</i>	<i>References</i>	
Business press articles	3	<i>Autobody News, Fender Bender News</i>	
Corporate website		https://industrialfinishes.com/	
Site visits	4	4 visits to Industrial Finishes HQ and Retail Branch in Eugene	

Note: All interviews took place in October and November 2019.

Case Study Site

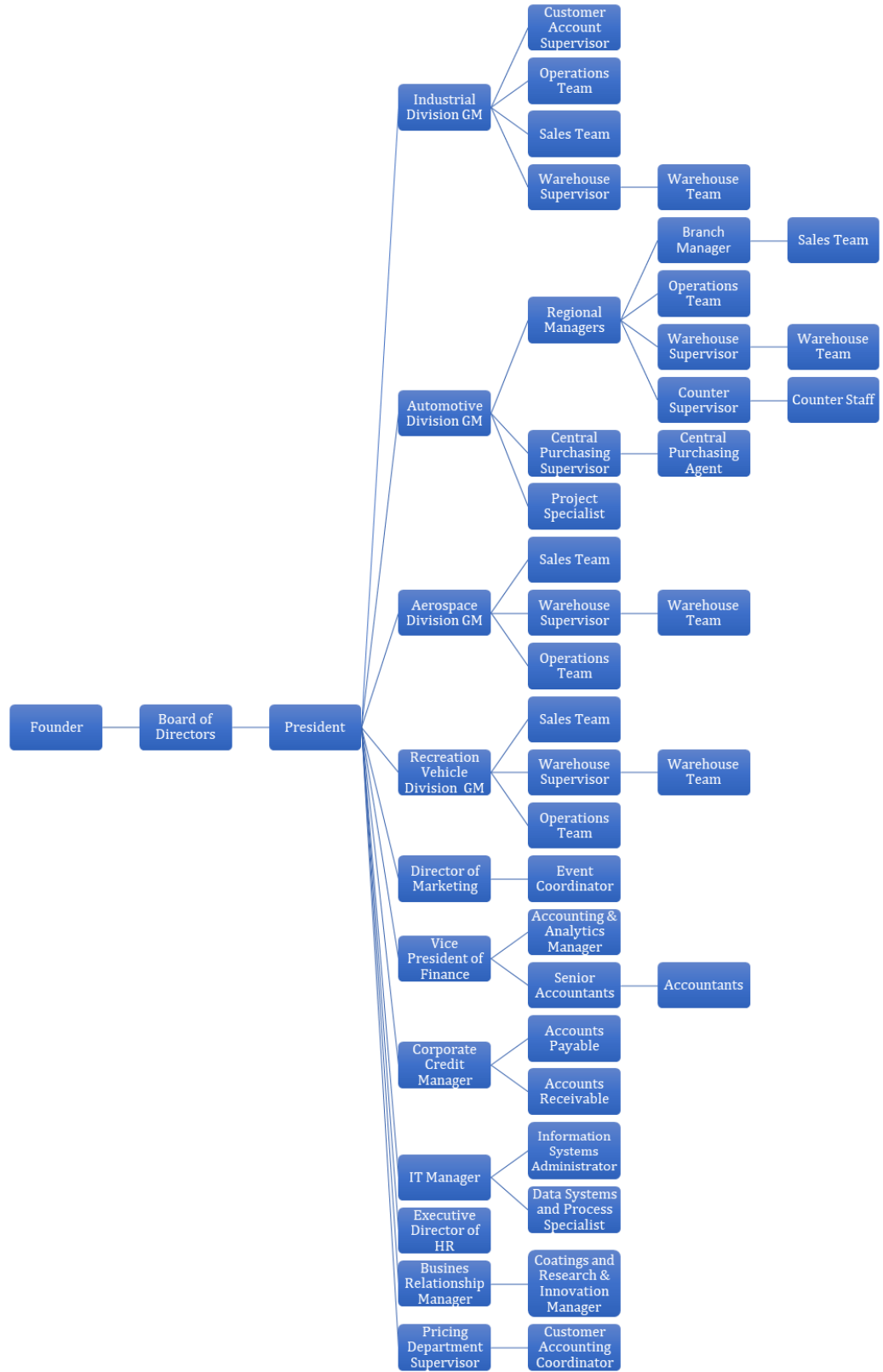
Industrial Finishes was founded in 1958, when Stuart Barr and his business partner purchased a small wholesale distributor of autobody supplies. After buying out his business partner, Barr became the sole owner of Industrial Finishes. To this day, Industrial Finishes is 100% owned by the Barr family. It has grown from one location to 39 locations, and it now operates with four divisions. The four divisions include: automotive, industrial, recreation vehicle, and aerospace.

As of today, the automotive division has 30 locations, where they sell car paint and painting supplies for auto body shops. In 1975, the industrial division was created to distribute sandpaper to mills in the Pacific Northwest. Through the years, they have expanded their distribution to include packaging, shipping, adhesive products, product supplies, and industrial coatings. Similar to the automotive division, the recreation vehicle and aerospace division, sell paint and painting supplies to their respective markets. In addition to selling to the general public, the aerospace division also supplies paint to the US Air Force.

The organizational structure of Industrial Finishes is illustrated in table 4. The president reports to the board of directors and the founder, with eleven executives reporting to the president, namely, the four division general managers, the director of marketing, the vice president of finance, the corporate credit manager, the IT Manager, the executive director of human resources, the business relationship manager, and the pricing department supervisor. Each of the division managers are responsible for a sales team, an operations team, and a warehouse team.

With 30 locations, the automotive division has additional regional and branch managers, and a store supervisor who supervises the store staff members. Industrial Finishes organizational structure has few hierarchical levels. which creates a decentralized management structure. Their decentralized management structure shifts everyday decisions to lower and mid-level managers.

Table 4: Organizational Chart



As shown in table 5, they have recently undergone rapid growth by acquiring ten locations between 2017 and 2018. Due to this significant growth, a company can experience management challenges, which accelerates the adoption of MCS. It requires that they implement more controls. In 2019, Industrial Finishes added the pricing department to their organizational structure. They needed to standardize their customer contract process. The pricing department focuses on matching customer prices to industry and location standards, which is an example of an administrative control within the MCS package. In the following section, I identify and describe the systems contained in the MCS package at Industrial Finishes and state the findings.

Table 5: Industrial Finishes Recent Growth and Acquisition milestones

2017

Concord, CA
Fremont, CA
Bakersfield, CA
Oxnard, CA
City of Industry, CA
Expanded into California

2018

Fresno, CA
Boise, ID
Kathleen, GA
Lafayette, IN
Opens locations in Fresno, Boise, and Kathleen
Acquires ABSCO (Lafayette)

Adapted from Appendix A

FINDINGS

Founder's Background

In 1956, Stuart Barr, the founder of Industrial Finishes, started as a delivery truck driver for an Autobody and Paint Supply Company. On April 1, 1958, Barr and his business partner, another delivery driver, purchased the Autobody and Paint Supply Company. The company was a small wholesale distributor of autobody

supplies with annual sales of \$165,000, one branch, and three employees. In 1967, Barr purchased his partner's half of the business and became the sole owner of a company he named Industrial Finishes.

Barr was not someone you would expect to be a successful business owner. Barr's education consisted of a high school diploma, and his experience as a delivery truck driver, which Barr considers his college education. Barr knows Industrial Finishes success is much more than his education and experiences:

“You've got to believe in something that's way beyond you. I have a high school education. They gave me my diploma if I promised to leave, that's true. We were building hot rods. My main purpose in life at that time was to build hot rods, drink beer and chase girls. But God intervened.”

In 1972, Barr dedicated his life to the Lord, and integrated his beliefs into Industrial Finishes' core values: Integrity, Honesty, Truthfulness, Commitment, and the motto “What would Jesus Do?” Barr aims to run the business as he perceives God would want.

“God's raised the bar on us. He's expecting more out of us than anybody else. If you claim the name of Jesus Christ, you better be serious. And when you believe Him, He can do great things with you. And the interesting thing is, he uses fools and says, "Look, Stu's running this organization. How did that happen? Was he smart enough, no." A very good C, mostly D, all through high school. Was in the black leather jacket gang, built hot rods... God has always used men that the world said, "They can't do it." Because He wants to have the world give Him the credit.”

Barr is not shy to share how Jesus has influenced Industrial Finishes. By trusting in God, Barr has witnessed Industrial Finishes grow from one location to 39 locations, serving customers nationwide.

“All of this that you see, about our company, the branches that we have, the number of employees, has nothing to do with anything with Stu except Stu decided to trust Jesus, with every decision.”

Management Control Systems at Industrial Finishes & Systems

This section identifies and describes the elements of the management control system at Industrial Finishes are identified and described using the five categories identified by Malmi and Brown (2008). Malmi and Brown’s MCS package typology categorizes controls such as cultural and administrative controls, which were designed to support the planning controls, cybernetic controls, and reward systems.

Cultural Controls

Industrial Finishes culture is built around their core values: Integrity, Honesty, Truthfulness, Commitment, and the motto “What would Jesus Do?” Their motto is the only formal connection to religion; however, religion is an important part of Industrial Finishes’ cultural controls. Two employees shared how the religious culture at Industrial Finishes differs from other workplaces:

“It's nice to have a department where if I tell somebody on the phone, "I'm going to pray for you." I don't have to worry about some CEO stepping down and being like, "How dare you say that." (Employee)

“We are allowed to have a Bible on our desk. Even though, technically in the business world, it is frowned upon...” (Employee)

Their religious culture allows employees to feel comfortable with their faith in a professional environment. They even go a step further and use Industrial Finishes as a way to serve others, or provide stewardship. In addition to offering free bibles to employees and customers through their website, Industrial Finishes is used

“... as a platform to be able to try and do some good in the world. And, yeah, it can mean a number of different things. Supporting community events, being able to help out individual employees or customers or just a number of different ways that we give back.” (Executive)

This attitude of serving others permeates throughout the company, as several employees mentioned how they see stewardship as a big part of their culture. An executive member shared how Industrial Finishes went as far as to offer a business partner a no interest loan to help them get back on their feet.

“...I want to give him a no interest loan until he gets past that. That is not a good business decision. But I think it's a God decision.” (Executive)

The use of religious values and the stewardship that results gives the company a strong familial culture. A majority of the employees are connected to the familial culture that is promoted within Industrial Finishes with its focus stewardship. By having the familial culture, employees that do not share the same religious views still have a strong connection to the company. One employee expressed how having both religious and non-religious affiliated activities has impacted their experience at Industrial Finishes:

“It's a nice cultural shift, knowing that there are group activities that you can do, everything from bible study to going down to the pub, so you've got the full gambit going on here.” (Employee)

Familial culture in action – The “doers”

Another reason for the familial culture at Industrial Finishes is the long tenure of employees. The longest tenure of a current Industrial Finishes employee is around 45 years (not including the owner who has been there for 64 years). Many employees have been with Industrial Finishes for their entire careers, and they consider the other

employees to be their family. During the interviews, this group referred to each other as the “doers,” the employees have been there so long that they have internalized the religious values and familial culture and care about each other’s success as much as their own, if not more. They support each other like a true family, helping each other whenever they are needed. They consistently work together to ensure projects are completed successfully. Here is an example of the “doers” commitment to each other and to the success of a project:

“We've been working on a customer in northern California. And he called our salesman that's been working on that account and said, "Can I start buying from you tomorrow?" He has eight locations. The store that's closest to him is one of our tiniest stores in northern California... literally, overnight, we were able to set up an account for him, got his orders entered and I mean, I was still working on it at 11:00 at night to make sure the orders were there and the boys delivered until 8:00 that next night to make sure all the product got to the customer. And then the customer comes back and says, "I knew I made the right decision to go with your company." He had no idea that the closest store was the smallest. He had no idea when he said, hey, you could pull this off, that we could really pull it off. It took a lot of people, you know, it took about 12 or 15 people overnight to get this taken care of but we all came together... that's what makes our company good... because at the end of the day, we're all still going to jump in the boat and make sure it doesn't sink.” (Employee)

The “doers” have also created an environment where everyone at Industrial Finishes can learn together. While the company has grown successfully, they have made their share of mistakes. But because of their familial culture they try to learn from each other's mistakes to avoid making the same mistake again. The ‘doers’ regularly share their mistakes with others, which connects to their desire to make their processes as efficient as possible because of their lean hiring process policies (discussed below). One employee shared their idea of connection and learning as a family:

“(We are) very family oriented. Oh my gosh. They really focus on that. And I really like that part of the business. So everybody, all the members are great to work with. And I feel I've learned so much from the family and my boss.”

(Employee)

The familial culture has established a high level of trust at Industrial Finishes, which can be both an advantage and disadvantage. The high level of trust gives employees the flexibility to make decisions out in the field. For example, an employee can adjust prices to secure a sale. However, there has to be a balance between flexibility and structure, so an employee doesn't, for example, decrease the price too far so as to result in a loss on a sale. Recently, Industrial Finishes has created a pricing department as they felt they needed more control over pricing decisions.

By trusting their employees to make the best decision for their customer in their local market, they have developed a decentralized management structure. To their advantage, this structure has allowed them to grow substantially over the last few years. They have grown through acquisitions, their most notable acquisitional period was 2017 to 2018, where they acquired ten new locations.

In addition to acquisitions, Industrial Finishes has grown through implementing innovative ideas both externally and internally. In 2015, Industrial Finishes started utilizing the PowerBI dashboard to help improve efficiency. The PowerBI dashboard is used by everyone from the executive team to the operations team and is even sold as a package to their customers. Industrial Finishes also conducts monthly meetings for employees to come share their own innovative ideas about improving operating efficiency. Industrial Finishes sees the value of innovation, so in 2015 they hired a Coatings Research and Innovation Manager. The Coatings Research and Innovation Manager has designed a private label of products including: paint, mixing cups, and paint suits. Most recently, they have been collaborating on a new technology that will revolutionize the way auto body shops paint vehicles. They are calling the creation “Phoenix,” it is a medium wave gas catalytic curing system

that can dry paint on a car in a fraction of the time compared to current curing machines.

With their recent rapid growth, employees have expressed that it is challenging to maintain cultural consistency across the 39 locations. The growth has two impacts on Industrial Finishes' culture. One, when acquiring businesses, Industrial Finishes hires the previous owners and employees, which can lead to a conflicting culture¹. Two, with the focus shifted to growth and profit, employees feel their efforts are going unnoticed. One executive member shared that they see this discrepancy and know how important it is to recognize the value of the employees.

“Most of our conversation is around profit, margins, numbers. ... we can go through that entire meeting, and we won't talk about the most important, valuable asset, or commodity, that's our liquid gold, that's our people.”

(Executive)

To address the cultural disconnect, Industrial Finishes hired a Business Relationship Manager and established an annual GROW (Good is the enemy of Great, Right relationships, Operational excellence, and Winning together) conference. The Business Relationship Manager focuses on integrating the newly acquired business' culture with Industrial Finishes' familial culture with the aim of establishing one cohesive culture. To do this, the Business Relationship Manager travels regularly to each of the 39 locations and works as a liaison between headquarters and each branch. By bringing leaders of each location to the headquarters, the GROW conference also works to connect the 39 locations. During the GROW conference, they focus on discussing culture, company goals, standard processes, and any new innovative ideas.

During the interviews, employees were asked if the culture at Industrial Finishes could substitute for other controls. The resounding response was that it could be a component of control, but there still has to be other controls in place to prevent

¹ This often happens when firms acquire a company in order to gain the knowledge of their employees which has been labeled “acqui-hiring” (Fantasia, 2016)

or detect issues. For example, Industrial Finishes utilizes their PowerBI dashboard to track the paint going in and coming out of the paint mixing booth. This was established to detect if employees were stealing paint during the paint mixing process. Industrial Finishes wants workers to know they are trusted, but they also know that as they grow it is critical to put other controls in place. They are constantly working to find a balance between cultural control and other controls. One executive member shared that there has been a debate between installing camera systems and trusting employees to do the right thing.

“That's been a struggle for us. We've struggled with cameras; whether we should or we shouldn't. We have them in some places and not in others.”
(Executive)

Interestingly, employees are concerned that there are a lack of controls set in place. Their culture keeps them connected to their values; however, they expressed how more controls would help to hold every employee accountable for their actions.

Industrial Finishes familial culture is reinforced with the symbolic actions around the office. To connect to the familial feel, there are photographs of all the employees from each branch displayed in headquarters. They also have a map with pins indicating each location. Additionally, they connect to their innovative spirit by posting any innovative ideas on an idea board. This idea board came about to help the company find ways to share ideas to help it run more efficiently. Every employee is encouraged to submit ideas, and they are all reviewed during the monthly meetings. Industrial Finishes' familial culture directly impacts their use of administrative controls, which are described next.

Administrative Controls

With Industrial Finishes' decentralized management structure, all of the managers are expected to make the appropriate decisions for their local situations, regarding operations or sales. Each of the managers are given a high level of

autonomy to run their division, region, or branch how they see fit. They are also responsible for meeting their own sales goals. To incentivize them, their sales goals are attached to their bonuses. However, some employees shared that there can sometimes be a lack of accountability surrounding the sales goals. According to one executive member:

“People aren't losing their commission or their bonus because they didn't meet their goals. They're still getting it... with not being able to hold people accountable. Other people will not hold other people accountable.”

(Executive)

At first glance, this seems straight forward: there must be more accountability within each division, and between each division. However, there is always another perspective to look at. For example, one employee shared how five employees were all given the same sales goal, and not one of them was able to meet their goal. Some employees in the group still received their bonus, while others did not. One of the employees, who didn't receive their bonus, went to speak to their manager. After coming to the conclusion that the sales goal was unattainable, they all received their bonus. This example shows when goals are difficult to achieve they fall back to their familial culture which is based on treating people with care and respect. The employees were not held accountable because there was a valid cultural reason for them to still receive their bonus. One Industrial Finishes executive member shared how important it is for their structure to have this flexibility:

“It's structure with flexibility. We have to have both; in an earthquake, if a building can't move a little bit it comes down.” (Executive)

Through the years, Industrial Finishes has relied on their long time employees' extensive knowledge of the industry to help them make the best decisions. Until recently, they had documented few standardized procedures. Industrial Finishes had recently (January 2019) hired an Executive Director of Human

Resources to assist them in capturing this knowledge. The goals of the Executive Director of Human Resources are succession planning and leadership development. Throughout this process, they plan to create a standard manual for how to perform tasks. They also want to standardize contracts, such as customer contracts and employee contracts.

When it comes to month end close, the accounting department said that they could benefit from standardization of all contracts, specifically employee contracts. At month-end, the accounting manually computes payroll and completes all closing entries. Because of the variation in salary contracts (discussed below), a majority of the financial statements are unique which takes longer to process.

In addition to contracts, employees expressed how they would like to see improvement to the hiring and on-boarding process at Industrial Finishes, specifically a more standardized training process for new employees. Industrial Finishes has already made strides to improve their hiring process. Employees are hired based on the perceived fit to the cultural values. As Industrial Finishes grows, they are starting to implement an administrative control to streamline the hiring process, so they designed a personality test of fit.

“(We) use a personality test when we hire people to determine their skills and see if they fit with the company and we are a good fit for them. More from a personality standpoint than an actual skillset. We feel strongly that if people have the ability to learn and the desire to learn, and they have the right attitude and are a good fit for the company, then you can teach them the rest of it.”

(Executive)

As noted above, employees fit is more important than their qualifications or previous work experience. Industrial Finishes is looking for employees who connect with their values and familial culture. One executive member shared what values they look for when hiring employees, they call them the 7 E’s of Success: people that are Engaged, people that are Effective, people that have a certain level of Energy, people with a strong Ethical approach, people that believe in Education for themselves and

others, and people that Entertain because they are a relationship based business. As long as an employee identifies with Industrial Finishes' values, the skills they need can be taught to them during training.

There is no training department at Industrial Finishes, so employees learn as much as they can within the two week training period then start working independently. When they have questions, they can reach out to fellow employees with questions. However, some employees shared how this can be challenging for new employees. New employees are left with questions about how to perform certain tasks, and there is no training department or standard manual for them to use as a resource.

“No training department... We are horrible, we give people their two week crash course... Especially when there's new employees, two weeks, no way there's not going to be issues. Baptism by fire, they'll figure it out. So we've done that quite a few times. And we still do that. We've got a little better at some follow up...” (Employee)

Before their recent growth, Industrial Finishes was able to manage the training in a more informal way. Now with over 300 employees, it has become too complex to run this way. To improve their training process, Industrial Finishes is working to create a standard manual for employees to reference.

Current employees are more familiar with the standard processes. To keep them up to date, current employees meet twice a year for an administrative training. To keep them connected, 100 to 150 employees attend the annual GROW conference. During this conference, they focus on reinforcing the company culture and values, developing the future leaders of Industrial Finishes, and setting annual goals. To strategize goals, the executive team meets twice a year. One executive member shared what these meetings entail:

“Each manager gives a presentation showing their goals and how they plan on achieving them. So they do all that and then have a meeting six months later to discuss progress and course corrections that are needed.” (Executive)

When it comes to hiring new employees, Industrial Finishes has a lean hiring practice. With lean hiring, it becomes challenging when one employee is out of the office because other employees have to pick up the extra work. To complete the extra work, employees tend to work overtime. Because of this, Industrial Finishes has to be mindful of employee burnout. To combat burnout, they focus on improving technology and efficiency, which stems from their innovative spirit. One example of technology that they continue to improve is their Legacy ERP system.

In 1989, they installed their Legacy ERP system, which is still in operation today. They have been hesitant to adopt an entirely new ERP system because it would be difficult to teach experienced employees a new system. However, it is also challenging to teach the older system to new employees. To accommodate this conundrum, they constantly update their ERP system to include new software. One employee explained the work that goes into maintaining their ERP system, and how that differs from other legacy based ERP systems.

“Most people who have a legacy ERP system, it's four years out of date, no one services them anymore, everything is going wrong with it. Ours looks like it's from the 1990's because it's a text based system, but it's been upgraded. We have a team in Washington, who are programmers, who take our stuff and update it. And so it has been updated consistently for 30 years. There's projects we're working on right now to update our automatic pricing, so again, working on the data end, trying to get rid of data pieces so that we can continue to stay ahead of it. So those upgrades have been constant.” (Employee)

Inventory is Industrial Finishes largest financial asset, so their ERP system focuses on tracking all of that inventory. Due to their industry, bulk purchases are the

best way to achieve economies of scale. To be profitable, they need to lower costs in order to make a higher margin because competitors make it difficult to increase prices. The bulk purchases Industrial Finishes makes requires an extensive amount of capital and storage space. When a bulk purchase order comes in, it is shipped to one store then distributed from there. Sometimes too much inventory is shipped to one place, and it has to be accommodated. To do so, Industrial Finishes will fill trailers with product and park it outside of the warehouse. Some employees referred to these big shipments as a holiday, while others expressed how difficult it is to distribute products between stores.

Employees would like to see one centralized distribution center where the products can be shipped to, and then divvied out to the stores that need it. Currently, there are a significant number of transfers between stores, which is apparent through the PowerBI dashboards. They have shown that two thirds of the transfers are between locations, and the other third is through the purchasing department.

With all of this inventory, they have to have a way to track it. Each inventory item is tagged with a unique identifier called a stock keeping unit (SKU). Industrial Finishes has around 65,000 SKUs to keep track of. Each year, the accounting department is responsible for manually checking the inventory at each location. They scan all of the SKUs and check if the quantity in the warehouse matches the quantity shown in the ERP system.

Another control in place is the automated process for tracking the paint mixing process, with PowerBI. They are also working to automate the pricing department. They want the system to detect and correct when prices have been set too low on a customer contract, before there is an issue.

Planning Controls

When it comes to planning controls, there are two categories: long term planning and action planning. Long term planning consists of setting goals for projects and other initiatives. One employee shared that Industrial Finishes has not developed a long term strategic plan. As a result, employees feel that they are more

reactive than proactive. Below one executive member shares how they focus more on executing their projects than strategy formulation:

“I end up spending a lot of my time focusing on execution, where I'd really rather focus more on strategy. But strategy is difficult to measure, execution is easy to measure... We should be spending most of our time in strategy but we're really only rewarded on execution.” (Executive)

Industrial Finishes has identified two long term planning initiatives. The first initiative is to maintain their culture. They want to have a company that remains attached to their core values, and focused on serving God and maintaining the familial culture. The other initiative is to formalize and professionalize the company. To accommodate the changing industry, they are seeking out individuals with more financial and business acumen. One executive member explained that the industry is changing to include more business professionals, and they have to adapt to stay relevant in the market:

“In the past, we have hired people who grew up in that industry, a painter or a body man. They can relate to a painter or a body man. The industry today is much more driven by business leaders and finance professionals. Our sales team either have to develop those skills, or we need a different type of sales team to that new buyer.” (Executive)

Action planning identifies goals and actions for the near future and specific tasks that need to be completed. At Industrial Finishes, managers are responsible for achieving short term goals but they are not required to have developed detailed action plans. During the interviews, a large number of employees explained that the short term goals of the company were profit and growth based. Several shared how they thought there was too much focus on profit and growth goals and not enough on the employees and keeping the familial culture. One executive member summarized the

inner workings of focusing on employees (internal growth) and focusing on growth itself (external growth):

“There's internal growth and external growth. External growth is expanding your footprint and we've been expanding the footprint in the last two years unbelievably. I think we've had 10 or 12 acquisitions, which is about almost 50% because we went from 20 to 30 something- So the external growth has been phenomenal. Phenomenal. Now the internal growth is a little bit more nebulous. What does that mean? Internal growth is you grow your people, you educate your people, you build your people's skills... But internal growth, if you get only external growth you're going to not succeed. You need the internal growth.” (Executive)

Other employees, though, argued that the goals of Industrial Finishes are beyond profit and growth, and that they are focused on a higher purpose of running the business the way God would. One executive shared how the goal is to continue running the business as God sees fit:

“The business belongs to the Lord... "What would Jesus do?" that's the goal to continue that, into the next generation and the generations after. And have that be what the company stands for.” (Executive)

These employees see how the company does still focus on the internal growth that was described above. Managers also encourage employees to set personal goals, such as attending school. One employee also shared how their department sets a cultural goal, where employees participate in several fun activities as a team, such as escape rooms.

Cybernetic Controls

The cybernetic controls focus effort on meeting expected standards of performance. Industrial Finishes has set both financial and non-financial measures. Unlike other companies, Industrial Finishes does not use a full blown line item budget as a financial measure; they primarily focus on a few key measures such as revenue and gross margins. They utilize a financial framework called 2 - 3- 4- 5, which was created by Dr. Albert Bates. The 2 - 3 - 4 - 5 framework is broken down into four parts. The 2 connects to the payroll gap, you should have a 2% payroll gap. For example, if you have 8% of revenue growth, you should have an additional 6% growth in payroll costs. The 3 is for decreasing your general and administrative expenses by .3% every year. The 4 aims to increase your gross margin percentage by .4% every year. Finally, 5 stands for 5% of revenue growth, which should be the aim to achieve each year. According to one executive, a lack of accountability has led them to use the 2 - 3 - 4 - 5 framework less intensely:

“We gave it a good go, we did it for a couple of years. But again, you can have all the data, you can have all the measures, but if there's not a dialogue happening or a consequence when it happens or doesn't happen, then it eventually just unravels.” (Executive)

Industrial Finishes non-financial measures include: improving efficiency, enriching the culture, and building the future leaders of Industrial Finishes. Through innovative ideas and standardizing processes they continue to become more efficient. To enrich their culture, they utilize the GROW conference to bring employees together to infuse the values and the familial culture to those who are not at the headquarters. As for building the future leaders, one executive shared how critical it is to develop the future leaders as soon as possible:

“(The) entire leadership team will probably all be retired in the next five to eight years.” (Executive)

The key mechanism used for measuring financial performance is reviewing the monthly financial statements. To continue improving, they compare the variances between the previous period, and the same period last year. The information provided in the financial statements helps managers understand what is going on in their division, region, or branch and to identify when corrective action is required. According to one executive, every manager eagerly awaits the release of the monthly financial statements:

“We care deeply. We publish a financial statement every month which is kind of like the bible around here. We send those statements out, it's a report card. They get looked at. They get talked about. The general managers, the regional managers, that gets real attention. But there's not a budget along with it. Those statements are reflecting... There's three columns. We have current month, year to date, and prior year to date. Then of course there's percentages on those. We're very interested in the prior year to date, and year to date columns, what are those variances there.” (Executive)

Additionally, Industrial Finishes utilizes several other cybernetic controls in credit accounts and inventory tracking. Every customer account has a credit limit. The computer system automatically checks to ensure customers do not exceed their credits limit. It also checks to see if the customer's bill is past due and how many days it has been outstanding. Inventory tracking is focused on counting transfers of product between stores. By tracking this, they can try to cut down on repeat rushed transfers. For example, if a warehouse has to rush transfers of a product every two weeks, they should just order more of that product from the beginning. Deadstock (outdated product) is also tracked. Industrial Finishes doesn't want to have deadstock taking up space in their warehouses. By tracking it and getting rid of it they have more room in their warehouse for new products.

When it comes to tracking inventory, several employees mentioned wanting to design a measurement tool to track inventory in each warehouse. They want to set it up to be a healthy competition between warehouses, similar to report cards. They

want the report card to be objectively based, where they can rate each warehouse on organization and accountability. This measurement tool will provide feedback to warehouses on how well they are meeting expected standards of performance. The following section describes how the company acknowledges and rewards the team.

Reward and Compensation Systems

When Industrial Finishes acquires a business, they adopt the compensation contracts from each of the acquired businesses. This creates complex reward and compensation systems. Almost every reward and compensation package is unique to the employee. As part of their reward system, employee's bonuses are connected to the success of their individual division. If a division meets their goals, the employees will receive their bonus. This structure is designed to incentivize employees to meet their division's sales goals. One executive shared how connecting the bonuses to each division's success can sometimes create a disconnect between doing what is best for their division or doing what is best for the entire company.

“Their response is that it's going to cut into their bonus. Every decision that I make is going to cut into their bonus.” (Executive)

To incentivize employees to do what is best for the entire company, Industrial Finishes shares a percentage of the profit with every full time employee. By connecting the reward and compensation system to the entire company's success it reinforces their familial culture. Due in part to their culture, intrinsic motivation is another form of reward for employees at Industrial Finishes. Employees care about helping others, and at Industrial Finishes, they have the opportunity to serve their fellow employees and their customers.

DISCUSSION

The aim of the thesis was to examine how a rapidly growing family business with cultural controls based on religious values managed the trade-off between wanting to control the business in order to improve performance (business identity) and keeping the familial feel of the firm (family identity). In particular, I focus on understanding how cultural controls based on religious values can be the base of achieving both of these objectives.

In addition to understanding the cultural controls, this thesis considers the interactions within the MCS package and how that influences Industrial Finishes' business and family identities. I show how a familial culture based on religious values along with cultural symbols and clans was imprinted on the firm by the founder (Akroyd and Kober, 2020). The cultural controls formed the base for how the founder and managers at Industrial Finishes implemented planning, cybernetic, reward, and administrative controls (see table 6), classified according to the Malmi and Brown's (2008) MCS package typology.

Industrial Finishes' planning, cybernetic, reward and administrative systems focus organizational effort on achieving the business objectives, while its cultural controls influence how those results are achieved while maintaining the family identity. Consistent with Paterson's (2013) findings that religious beliefs are a source of values which are incorporated into the family business, Industrial Finishes has developed cultural controls linked to religious based values. Industrial Finishes' cultural controls epitomize each of the following values: caring, generosity, forgiveness, and integrity and honesty (Paterson, 2013).

Table 6: Industrial Finishes’ MCS Package

Cultural Controls				
Clans		Values		Symbols
<ul style="list-style-type: none"> • “Doers” • Share mistakes with others, so they don’t repeat it • Family oriented • Long tenure of employees • Weekly executive meetings • Bible Study on Fridays • Monthly innovation meetings • Teamwork 		<ul style="list-style-type: none"> • Core Values of Industrial Finishes Integrity, Honesty, Truthfulness, Commitment, and the motto “What would Jesus Do?” • “ The core value of this company is trying to do what we perceive God would have us do” –Founder • Normalized “I will pray for you” • Innovative Spirit • Stewardship • High levels of trust 		<ul style="list-style-type: none"> • Gallery of branch photos • Map with each location • Bibles at desk • Free bibles available to employees and customers • No strict dress code • Idea board
Planning Controls		Cybernetic Controls		Reward & Compensation
Long term planning <ul style="list-style-type: none"> • Seeking out employees with financial and business acumen • Formalization and Professionalization • Maintain the culture: “the business belongs to the lord” 	Action planning Set yearly goals for: <ul style="list-style-type: none"> • Profit • Growth • Personal goals 	Measures Financial <ul style="list-style-type: none"> • 2,3,4 ,5 • Profit margins Non-financial <ul style="list-style-type: none"> • Increase efficiency • Building leadership and culture 	Direct tracking <ul style="list-style-type: none"> • Actuals for week, month & quarter • Against same period last year • Against last period • Check variances • Compare offices using a report card system • Check credit limits • Check receivables days outstanding • Check deadstock • Review credit card charges 	Motivation <ul style="list-style-type: none"> • Intrinsic – help others because you care about them Rewards <ul style="list-style-type: none"> - Division based bonus - Profit sharing to all full time employees - Unique salary contracts
Administrative Controls				
Direct Tracking		Organization structure		Policies & Procedures
<ul style="list-style-type: none"> • Inventory counts • Using PowerBI dashboards to track product usage (ex: Paint Mixing Booth) 		<ul style="list-style-type: none"> • Autonomous divisions • No centralized distribution center • Decentralized management 		<ul style="list-style-type: none"> • Organizational chart • No training department • Pricing department • Creating standard manual for how to perform tasks • Month-end close is completed and reviewed manually • Unique financial statements • Consistently update Legacy ERP system • Two week training for new employees • Administrative training twice a year • Executive strategy meetings • GROW conference • Lean hiring • Implementing personality tests of fit for hiring new employees

The “doers” of Industrial Finishes highlight the religious value of caring for others. The “doers” have established an environment which fosters an intense emotional attachment comparable to that of a family. They support and care for each other’s success, as a family member would. When it comes to the reward and compensation controls, their desire to help each other is an intrinsic motivator that incentivizes them to achieve business goals. Additionally, they foster an environment conducive to learning from each other's mistakes. This influences their cybernetic control of increasing business efficiency by focusing on constantly improving.

Industrial Finishes exemplifies generosity through their value of stewardship. Their stewardship extends to their employees, customers, and surrounding communities. Their employees experience stewardship in two ways. One, their managers encourage them to set personal goals, such as attending school or expanding their role to include new responsibilities. Second, Industrial Finishes supports every employee through a profit sharing program. Profit sharing incentivizes employees to meet business goals. Furthermore, by sharing the profits with every employee, they also reinforce the family identity. During the interviews, employees shared that the customers experience stewardship through the “profit partnership” that is formed between the customer and Industrial Finishes. The “profit partnership” was formed through the implementation of the PowerBI dashboard. By helping customers track their costs and profit, Industrial Finishes aims to improve customers profitability, in turn improving their own profitability.

At Industrial Finishes, their religious beliefs encourage them to practice forgiveness. One example of their forgiving nature was when a group of employees was unable to meet their sales goal, and still received their bonus. The sales goals were established as a control to improve Industrial Finishes business performance; however, the employees were forgiven for not meeting their sales goals. Industrial Finishes forgiveness continues to influence their decisions. Another example of Industrial Finishes forgiveness was them choosing not to terminate employees that were caught stealing paint from the paint mixing booth. Instead, they implemented a control, through PowerBI, to ensure it didn’t happen again.

Through my research, I discovered that Industrial Finishes core values of integrity and honesty connected directly to Paterson's (2013) religious values. Because of their core values Industrial Finishes trusts their employees to make their own decisions, resulting in a decentralized organization structure (Hansen et al., 2003) and a network of highly autonomous divisions to drive performance. The decentralized structure enables managers to monitor and respond to opportunities in their local markets. This finding confirms recent research highlighting the influence that organization structure has on other control elements (Cäker and Siverbo, 2014). This structure along with an emphasis on cultural control based on religious values influences Industrial Finishes to focus on profitably, while taking care of the company and each other, and continually innovating, learning and growing.

Industrial Finishes works to maintain the balance between their cultural controls and other controls. Family firms have to balance and integrate the demands of the family and business orientations, which can be a source of tension in family firms (de Kok et al., 2006). For example, Industrial Finishes has debated between installing cameras and trusting that their culture is strong enough to warrant not needing them. They want their employees to believe they are trusted, but they also know that as they grow it is critical to put other controls in place. They have installed cameras in some locations, but haven't in others. Managing the competing family and business orientations simultaneously is a challenge for family firms (Stanley et al., 2017) and balancing the two systems is not a simple task (Leender and Waarts, 2003). Furthermore, family and business orientations can change over time (Basco, 2017) which requires ongoing adjustment by the family firm to maintain an appropriate balance between the two. Similar to Ferner (2000) and Akroyd and Kober (2020), I found that culture underpins other controls. It is possible to scale a business while remaining in control through ensuring effective cultural controls reinforce the other controls.

As this thesis is based on a single study, the findings may not be generalizable to other family businesses who operate in different industries. Additionally, Industrial Finishes serves customers nationwide from 39 locations; however, I was only able to visit their headquarters in Eugene, Oregon. If I had interviewed employees from other

locations, I may have found different results. This thesis is the first step to better understand how a family business uses cultural controls with religious values to balance their business and family identity. Further research is required to study other family businesses to add to my understanding of how cultural controls with religious values enables the family to keep their identity while also achieving business success.

CONCLUSION

In conclusion, I show how a growing family business can balance their business and family identity through the use of a familial culture based on religious values. I confirmed the idea expressed by Neal and Vallejo (2008) that family firms can serve as incubators for spirituality and religion. The findings confirmed the important role that family influence plays in fostering religious/spiritual expression in a business. The findings contribute to our understanding of how cultural control based on religious values can enable a family firm to balance their family and business identities. This contrasts with prior literature that shows that there is a trade-off between family and business identity (El Masri et al, 2017). Thus, when firms emphasize their business identity they can lose their family identity. In the case of Industrial Finishes, I found that this did not happen as the familial culture based on religious values was strong enough to keep its place in representing family identity. Instead I found that other controls, which supported the business identity, reinforced familial cultural control. Industrial Finishes emphasis on cultural controls based on religious values helped the firm to position itself in the market. Thus, highlighting how religious values enable a balance between identities in a growing family business.

The findings not only add to prior accounting literature but also contrast with the findings of family business research by showing how family and business identity can both be supported through management controls. Overall, the other controls complemented the cultural controls, which enabled the management control package to balance the family and business identities.

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APPENDIX

Appendix A: Industrial Finishes Growth and Acquisition Milestones

1958

Eugene, OR
Automotive Division Formed
First automotive paint store opened

1968

Portland, OR
Second automotive paint store opened

1970

Roseburg, OR
Third automotive paint store opened

1975

Eugene, OR
Industrial Division Formed

1982

Monroe, LA
First East Coast distribution center opened

1987

Harrisburg, OR
Recreation Vehicle Division Formed

1990

Medford, OR
Fourth automotive paint store opened

1991

Bend, OR
Fifth automotive paint store opened

1992

Gresham, OR
Sixth automotive paint store opened

1994

Eugene, OR
Acquired Superior Steel Fabrication

1995

Martinsville, VA
Second East Coast distribution center opened

1996

Salem, OR
Acquired Lewis Distributing

1997

Portland, OR (Stark Street)
Acquired Foster A & F Equipment and Paint Division

1997

Elkhart, IN
Began distribution operations for the R.V. Industry in the Indiana region

1999

Beaverton, OR
Opened a store in Beaverton

2000

Coos Bay, OR
Vancouver, WA
Acquired Bay Center Paint Supply (Coos Bay).
Acquired Full Spectrum Auto Paint and Supply (Vancouver)

2007

Belmont, MS
Began distribution operations for R.V. Industry in the Mississippi area.

2008

Reno, NV
Industrial Finishes acquired Barrett Paint Supply.

2011

Ogden, UT

Orem, UT

Salt Lake City, UT

Aerospace Division Formed

Acquired Automotive and Industrial Supply (AIS).

In Utah, Industrial Finishes still operates as AIS.

2012

Woodland, CA

Acquired Color Supply

2013

Napa, CA

Acquired Talley's Paint

2014

Logan, UT

Acquired S & B Automotive Color, Inc.

2015

Carson City, NV

Acquired All Auto Paints

2016

Rancho Cordova, CA

Acquired Sunrise Automotive Paint

2017

Concord, CA

Fremont, CA

Bakersfield, CA

Oxnard, CA

City of Industry, CA

2018

Fresno, CA

Boise, ID

Kathleen, GA

Lafayette, IN

Opened locations in Fresno, Boise, and Kathleen
Acquired ABSCO (Lafayette)

