Changes in leadership style, management control and management accounting

A case study of a multi-outlet car dealership

E. Pieter Jansen

e.p.jansen@rug.nl

University of Groningen
P.O. Box 800
8700 AV Groningen
The Netherlands

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Abstract

This paper investigates how management accounting change, the leadership style of managers and the (satisfaction of) needs of employees are related. The paper is based on a case study in a multi-outlet car dealership. Accounting change concerns both an organization’s accounting rules and its routines (Burns and Scapens 2000). The way in which managers use accounting information is related to their leadership styles (Hopwood 1974). As a consequence, new accounting rules imposed on the organization by its top management can be classified in two categories: rules that “fit” with the leadership styles of the managers and rules that do not fit with these leadership styles. The case study in the paper demonstrates how new accounting rules can result in new accounting routines, both in a situation in which the new rules and the leadership styles of managers do fit and in a situation in which they do not fit. Leadership styles differ in how they appeal to the needs of employees: transactional leaders emphasize their employees’ physical needs, whereas transformational leaders emphasize their socio-emotional needs. If, in relation to accounting change, the leadership styles of managers also change, this may affect the satisfaction of the needs of a company’s employees. The case study demonstrates how accounting change and the satisfaction of the needs of employees are related. The effects of accounting change on the satisfaction of the needs of employees results in support or resistance against the change.

Key words: accounting change, management control change, leadership style, work satisfaction
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1. Introduction

Many papers have been published that contribute to our understanding of management accounting and management control systems’ change (for example, Burns and Scapens 2000; Baines and Langfield-Smith 2003; Vámosi 2000, Williams and Seaman 2002, Speckbacher et al. 2003; Malmi 2001; Kasurinen 2002; Burns 2000; Jermias 2001; Shields and Young 1989). However, the existing literature on management accounting and management control change does not address how these changes relate to the leadership styles of the managers in the organization. This gap in the database of knowledge concerning management accounting and management control change is surprising, because already in 1974 Hopwood pointed out that the leadership style of a manager and the use of accounting data are related. Therefore, this paper seeks to contribute to our understanding of how management accounting and management control change on the one hand and the leadership styles of an organization’s managers on the other hand are related.

Leadership styles differ in their focus on the work-related needs of employees. Physical needs, such as a need for income, security and stability are important elements in the relation with his employer for almost any employee. Also socio-emotional needs, for
example, the need for appreciation, respect, autonomy, status and the opportunity to learn can be important determinants of their quality of work-life. The most-widely used and accepted classification of leadership style is the classification by Bass (1990a, 1990b, 1997, 1998; also see Turner/Müller 2005; Eagly et al. 2003; Feinberg et al. 2005). This classification arose from a study of successful business leaders and it defines leadership styles. These styles are transactional leadership and transformational leadership. In a transactional leadership style, a leader emphasizes the physical needs of employees, whereas in a transformational style the emphasis is on emotional needs. The two identified leadership styles can be supplementary and leaders can be transactional, transformational, both, or neither (Vera and Crossan 2004, p. 224; Avolio et al. 1999; Bass and Avolio 1993; Bass 1998).

Managers’ leadership styles affect the work satisfaction of employees. Since we know that the use of accounting information and leadership styles are related, it is also interesting to investigate how accounting change affects the work satisfaction of employees. If accounting change initiated by top management does not match with the leadership styles of lower managers, the intended change may be difficult to implement. Furthermore, if accounting change positively influences work satisfaction, employees may support the change, whereas employees may resist accounting change that has a negative impact on their work satisfaction.

In conceptualising management accounting change, Burns and Scapens (2000, p. 5) use the concepts of rules and routines. An organization’s accounting system consists of rules
and routines. Rules are the formal accounting procedures. Routines are the working methods that the organization actually uses (Burns and Scapens 2000). According to Burns and Scapens (2000, p. 7) rules are usually changed at discrete intervals, but routines can be in a cumulative process of change. In this paper, accounting change is defined as the extent to which routines are modified, because the change in routines affects the daily practice of an organization’s management control. The existing literature deals with several aspects of accounting change and offers clues to explain the effects of changes in accounting rules on accounting routines.


Other studies focus on the internal organizational context of accounting change. In explaining accounting change, Burns and Scapens (2000) focus on institutions, i.e., ‘a way of thought or action of some prevalence and permanence, which is embedded in the
habits of a group or the customs of people’. Burns 2000 investigated the mobilization of power over resources, decision-making and meanings. Kasurinen (2002) identified barriers to change. Jermias (2001) studied the mechanisms underlying the motivation to resist change. Shields and Young’s (1989) framework for the implementation of cost management systems deals with several factors that affect change: culture (the mindset of employees, including their shared beliefs, values and goals), the importance of a champion (a top manager who promotes the new accounting system), compensation (the availability of financial resources), controls, continuous education and commitment of employees to realize management accounting and management control systems’ change. However, the existing literature has not addressed the leadership style of managers and the satisfaction of the work-related needs of employees in relation to management control and management accounting systems’ change.

Hopwood (1974) pointed out that managers differ in their leadership styles and that these differences in leadership style affect the way in which managers use accounting data. In leadership styles, there is a distinction between the instrumental or task aspects and the socio-emotional aspects of managerial behavior. For managers who emphasize the instrumental or task aspects of managerial behavior (i.e., transactional leaders) accounting data are important: accounting data are used to evaluate performance in relation to the short-run budget or to the long-run objectives of the organization. According to Hopwood (1974, p. 486) managers with an emphasis on the socio-emotional aspects of managerial behavior (i.e., transformational leaders) make less use of
accounting data; these managers seek to build trust and express respect in communicating with subordinates. However, Hopwood (1974) did not investigate the issue of change.

Both an organization’s management control system and an individual manager’s leadership style affect the way in which accounting information is used (see, for example Hopwood 1974 and Simons 1995, respectively). Therefore, accounting change (i.e., the extent to which new rules result in new routines) will be influenced by the extent to which this organization’s new rules support the leadership styles of its managers and helps them in fulfilling the needs of the employees. Transactional leaders can use the accounting information to communicate the performance that they expect, to evaluate the realized performance and to allocate (monetary) rewards to employees. Transformational leaders may use accounting information (if at all) as an input in coaching their employees.

The existing literature does not investigate the effect of the style of leaders and the satisfaction of work-related needs of employees on accounting change. Therefore, this paper seeks to contribute to the existing literature by investigating the effect of the leadership styles of the managers in an organization and the satisfaction of the needs of employees on management accounting change. The research question of this paper is: *how do the leadership styles of managers and the satisfaction of the needs of the organization’s employees affect management accounting change?*
This paper is based on a case study. The case is a car dealership with ten outlets, located in ten different towns in the middle of the Netherlands. The company is family-owned and at the time of the case study a younger generation of this family had just taken over the ownership and management positions form their fathers and mothers. This new generation of owners and managers imposed new accounting rules on the outlets. Each outlet has its local managers and the outlets differed considerably in the extent to which the new rules also resulted in new routines. The differences between the outlets were the starting point for a research project on accounting change, leading to the conclusion that an important explanation for the differences in accounting change concerns the leadership styles of managers (both at the top level and in the outlets) and the satisfaction of the needs of the employees in the several outlets.

This paper presents the findings of the comparison of the outlets concerning leadership styles and the satisfaction of the employees’ needs to explain accounting change. Section 2 of the paper introduces the theoretical model: it explains the most important concepts, presents the specific research questions and rounds off with the conceptual of this paper. Section 3 introduces the case setting and the research methods of this study. Section 4 presents the paper’s results, consisting of a comparison of outlets that demonstrate the striking differences in the extent to which they adjusted their accounting routines to the new accounting rules imposed by the group’s top management. Section 5 concludes the paper.
2. Theoretical model

The theoretical model of this paper addresses the relationship between the leadership style of managers, (changes in) the satisfaction of employees’ needs and management accounting and management control change.

*Leadership styles*

There are many, partly contradictory, definitions of leadership (Pfeffer 1977; for an overview see Bass 1990a, pp. 11-20). The definition used will largely depend on the purpose of the study in which it is used. For this paper, Bass’ (1990b) “handbook definition” is useful: ‘Leadership is an interaction between two or more members of a group. That often involves a structuring or restructuring of the situation and the perceptions and expectations of the members. (…) Leadership occurs when one group member modifies the motivation and competencies of others in the group.’

Depending on their decision-making authorities, means and personality leaders can utilize several approaches to modify the motivation or competencies of group members. Leaders may appeal to the physical needs of individual group members by clearly communicating the performance that they expect them to realize and offer them rewards in return. Leaders may also appeal to the socio-emotional needs of group members by giving respect, by coaching and training and by communicating the company’s values and mission.
As indicated earlier in this paper, the concepts of transactional and of transformational leadership are often used (Turner and Müller 2005; Bass 1990a; Eagly et al. 2003; Vera and Crossan 2004; Cannella and Monroe 1997; Feinberg et al. 2005; Bass 1990b, pp. 184-221, 319-338). Transactional leadership appeals to physical needs; transformational leadership appeals to socio-emotional needs. Transactional leadership includes guiding, directing and constraining choices and actions (Barnard 1938). Transformational leadership style includes the emotional and motivational aspects of goal-setting and developing faith and commitment to a larger moral purpose (Turner and Müller 2005, p. 50).

Bass (1990a) developed the Multifactor Leadership Questionnaire to test the transactional and the transformational leadership style. According to Turner and Müller (2005) it is now the most widely used leadership style questionnaire. In this questionnaire, leadership styles are defined in detail. Transactional leadership motivates individuals by explicitly addressing the contingent-reward exchanges between an organization and its members. The transactional leader expresses the performance that he expects, for example, by setting clear, quantitative performance targets, and provides rewards for satisfactory performance by followers. Transactional leaders rely on management by exception: they attend to followers’ mistakes and failures to meet standards and intervene when problems become severe (Eagly et al. 2003, p. 571; Bass 1990a; Turner and Müller 2005, p. 52; Vera and Crossan 2004). Contingent rewarding is typical for transactional leaders telling subordinates exactly what to do to be rewarded for their efforts and negotiating with
subordinates what they can get from what they accomplish (see Bass 1985, 1998; Vera and Crossan 2004).

Transformational leadership motivates individuals by expressing the values, beliefs and mission of the organization. Transformational leaders inspire loyalty to the organization. There are several ways to execute transformational leadership (1990a). First, leaders can intellectually stimulate group members. They may offer new ways of looking at things, enforcing group members to revise their own ideas, which they had never questioned before. Second, leaders can consider the individual members of the group. They may give personal attention to members who seem neglected, find out what these members want and help them and express appreciation for doing a good job (Bass 1985, 1998, 1990a; Vera and Crossan 2004; Turner and Müller 2005; Eagly et al. 2003).

The dichotomy between transactional and transformational leadership style can both be seen as the opposite ends of a continuum and as distinct dimensions, which allows a leader to be transactional, transformational, both, or neither (Vera and Crossan 2004, p. 224). Empirical tests (Avolio et al. 1999; Bass and Avolio 1993; Bass 1998) indicated that both sets of behaviours are likely to exist in the same individual in different amounts and intensities. The best leaders probably combine transactional and transformational behaviour. Therefore, this paper treats transactional and transformational leadership as distinct dimensions.
Vera and Crossan (2004) argued for a contingent view of leadership. They argued that under some circumstances transactional leadership is needed, whereas in other circumstances an organization would benefit from transformational leadership. For example, in times of change transformational leadership might be the most effective. In times of stability, however, transactional leadership may build an image of consistency, which may even contribute to high levels of trust and respect that is normally associated with transformational leadership (Vera and Crossan 2004, p. 227).

This paper assumes that the needs of the group members influence the effectiveness of leadership styles. The reason for this is that leadership styles differ in their emphasis on the needs of the group members. Transactional leaders will be effective for group members who attach great importance to (financial) rewards. Transformational leadership is effective if group members find their emotional needs highly important and attach to appreciation, respect, personal attention and being a member of the organization.

*Management accounting, management control and leadership styles*

Simons (1995) defined management control as the formal, information-based routines and procedures that managers use to maintain or alter patterns in organizational activities. Management accounting, management control and leadership styles are related. Elements of management control are standards for the execution of primary processes, performance measures and also the distribution of decision-making authorities in the organization. If these elements of management control are available, they may facilitate a transactional leadership style. However, if a manager has no decision rights concerning targets and
rewards, he cannot use explicit rewards to motivate the members of his group and he will probably benefit from a transformational leadership style. Below, the relations between leadership styles, management control and management accounting will be discussed.

As management accounting concerns the registration, interpretation and communication of information that managers need to control their organization, management accounting and management control are closely related. Often, the management control problem is classified by using two dimensions; the nature of the task of the organization and the stability of its environment (Birnberg et al. 1993; Birnberg 1998, pp. 28-30). These two dimensions form the basis of the four control forms, as summarized in figure 1.

INSERT FIGURE 1

Much of the literature on organizational control concerns a cell 1-situation, i.e., this literature is based on the assumption that tasks are routinized or simple and that the environment is stable. Under these circumstances, cybernetic forms of control can be applied. Cybernetics is a system in which standards of performance are determined, measuring systems are used to gauge performance, comparisons are made between the standards and actual performance and management intervenes to solve the variances between these standards and actual performance (Fisher 1998, p. 52; also see Simons’ 1995 definition of diagnostic control systems). In a cell 1-situation, effective managers
may rely on a transactional leadership style. Managers who work in the context of a cybernetic (or in Simons’ 1995 words a “diagnostic”) control system have exact information about the performance and/or the activities that are expected from the members of the organization in the form of targets and standardized procedures. This information enables them to effectively manage the organization by relying on a transactional leadership style.

Management control in a so-called cell 2-situation (in which the external environment is predictable, but it is not possible to program the organization’s tasks) is more complex. Learning how to execute the task by the managers and workers in the organization is the most important issue in controlling cell 2-situations; the focus of managers is on feedback and on outcome. Because the external environment is stable, knowledge that is acquired in the execution of a task remains useful in future iterations of the task. The decision maker has to learn appropriate behaviors for a given set of facts. In cell 2-situations, an organization’s management control system should facilitate the acquisition of knowledge (Birnberg 1998, p. 31). In such a cell 2-situation, effective managers will probably rely on a combination of a transactional and a transformational leadership style. Although the tasks to realize the organization’s goals are not known, the desired outcome is. Managers who emphasize the desired outcome will mostly adopt a transactional leadership style. The possibility to define these outcomes, enables managers to formulate and to communicate targets, which is typical for transactional leadership. Transactional leaders will leave the definition of these tasks to the discretion of their subordinates, because the tasks are not programmed. However, if a transition from a cell 2- to a cell 1-situation is
desirable, effective managers will probably also apply a transformational leadership style, because transformational leadership facilitates the development of new tasks and of organizational change.

In cell 3, the nature of the task is programmed, but the environment of the organization is unpredictable (Birnberg 1998, pp. 32-33). Just like in cell 1, control in a cell 3-situation can be based on standardized procedures to execute the (repetitive) tasks. However, the targets need to be frequently adjusted. Furthermore, also the criteria that are applied to express the targets need to change now and then, because changes in the environment may result in changes concerning the criteria on which the organization needs to perform. The issues for control are outcome and adaptation. If an organization’s managers are able to exactly communicate the (frequently changing) expectations that they hold of the members of the organization, a transactional leadership style will suffice in a cell 3-control situation. However, if the members of the organization find it difficult to adjust to continuously changing targets and criteria, transformational leadership can be a valuable complement to a transactional leadership style.

The most complex control situation occurs when both an organization’s external environment is unstable and its tasks cannot be programmed (a cell 4-situation). Under these circumstances, a manager can hardly rely on formal management accounting and control instruments to control the organization (Birnberg 1998). As a consequence of the fact that so-called “explicit” controls, such as standards, targets, procedures and
performance measures, are not available organizational control needs to rely on implicit controls. Clan control, as defined by Ouchi (1979) could be applicable in an organization with an unstable environment and non-programmed tasks. In a clan, the informal social structure is the organization’s management control mechanism. Workers in organizations that are controlled as a clan, undergo a lengthy period of training and socialization. These workers are professionals who master both the technical skills and values that belong to their profession. A clan requires a social agreement on a broad range of values and beliefs, embedded in a professional community. Also applicable in a cell 4-situation, is what Simons (1995) labelled as a beliefs system. Beliefs systems are a lever of control that draws employees’ attention to key tenets of the business and it may concern value creation, the aimed level of performance and the way in which the members of the organization are expected to manage their relations. Beliefs systems are broad and aim to inspire and promote commitment to an organization’s core values (Simons 1995, p. 82). In a cell 4-situation, effective managers will mostly rely on a transformational leadership style. In a cell 4-control situation, effective managers will probably apply a transformational leadership style. A transactional leadership style will be ineffective, because the expectations of the leader cannot be clearly defined. Expressing the values, beliefs and mission of the organization and paying respect to its members, as transformational leaders do, may be an effective form of leadership in a cell 4-situation.

All in all, there are good reasons to assume that individual managers’ leadership styles and an organization’s management accounting and control system are related. If new accounting rules require managers to change their leadership style, they may find it more
problematic to apply these rules. Therefore, the paper investigates how the extent to which new accounting rules result in accounting routines is related to the leadership styles of individual managers. The first specific research question of this paper is: does the match between new accounting rules and the leadership styles of managers explain whether the new rules can be applied?

Complexity of management accounting systems’ change

Changes in management accounting differ in complexity. Several criteria can be used to classify (the complexity of) management accounting change. This paper developed a classification of the complexity of management accounting change in three categories, which this paper labels as type 1, 2 and 3-change, respectively. In type 1-change only an organization’s accounting information changes. This kind of change neither involves management control systems’ change (for example, a transition from diagnostic to interactive control), nor a change in the leadership styles of the organization’s managers. An example of type 1-change is the replacement of information systems. The investigated case does not contain type 1-changes, only type 2- and type 3-changes.

Type 2-change implies that in addition to an organization’s accounting information, also its management control system needs to change. For example, if increased environmental unpredictability is the reason for management accounting change, management control change may be necessary also. If, due to increased environmental unpredictability, the
level of previously stable targets needs to be frequently adjusted, diagnostic control systems may become ineffective and may be replaced by an interactive control system. Evidently, change that implies that managers not only have to learn to work with new information, but also need to learn to apply accounting information in a different manner than they were used to, is more complex than type 1-change, as defined above.

The most complex change, which this paper labels as type 3-change, requires managers to also change their leadership style in addition to adapting to a new accounting information system and a new management control system. Leadership style concerns the individual styles of managers and may also be related to the personalities of these individual managers.

Whether lower level managers can apply new accounting rules imposed on the organization by its top management depends on the complexity of the required change. Managers may find it relatively easy to apply new accounting rules if only the available accounting information changes and the organization’s control system and the leadership styles of managers can stay as they are. The application of new accounting rules will be more difficult if also the organization’s control system and the individual managers’ leadership styles have to change. Therefore, as a starting point of the investigation, this paper assumes that more complex changes in accounting rules are less likely to be applied and eventually result in new accounting routines. The second specific research
question of this paper is: *does the complexity of the change affect the application of the new accounting rules?*

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**Change and work satisfaction**

The receptivity of an organization’s employees to new accounting rules will also determine the extent to which these rules eventually result in new accounting routines. Change may positively or negatively affect an employee’s work satisfaction. Probably, workers will resist change that negatively affects work satisfaction, whereas they may support change that they expect to improve their work satisfaction.

There is a vast sociological and psychological literature on work satisfaction, for example dealing with the influence of rewards, gender, age, educational level, work experience and national culture on work satisfaction (Mottaz 1985; Kalleberg 1977; Souza-Poza & Souza-Poza 2000). Work satisfaction is ‘(…) the overall affective orientation on the part of individuals toward work roles they are presently occupying’ (Kalleberg 1977, p. 126). Rewards determine work satisfaction and these can be classified in intrinsic and extrinsic rewards (Kalleberg 1977, Mottaz 1985).

Intrinsic dimensions concern a worker’s task. Task autonomy; the extent to which a worker is allowed to work independently is an intrinsic reward. Whether the job is
interesting also is an intrinsic reward. Other rewards concern the significance of the job, such as whether the job is useful to society and allows workers to help other people (Souza-Poza & Souza-Poza 2000; Mottaz 1985; Kalleberg 1985).

There are numerous extrinsic rewards that may affect overall job satisfaction. The most prominent extrinsic reward concerns the financial dimension: income and job security. A worker’s convenience also belongs to his extrinsic rewards. Convenience is affected by the extent to which the job is stressful, physically demanding, exhausting or dangerous. In addition to the satisfaction of physical needs (income, job security, convenience) the satisfaction of social needs also belong to the extrinsic rewards. The relations with managers and with colleagues are especially relevant in this respect. Finally, the opportunities to get promoted to a better job are important extrinsic job rewards (Souza-Poza & Souza-Poza 2000; Kalleberg 1977; Mottaz 1985).

The expectation that changes as discussed in the previous subsection of this paper may affect the work satisfaction of an organization’s members is a starting point for this paper. Even type 1- change may affect work satisfaction. The replacement of an old accounting information system may result in more accurate performance information. More accurate performance information may enhance work satisfaction, because the new information may support a worker’s feeling that his performance is registered and may be appreciated and rewarded on the basis of the registered accounting data.
Type 2-change (which, in addition to type 1-change also implies management control change) will more frequently affect work satisfaction. For example, workers who value task autonomy will probably appreciate the replacement of a diagnostic control system by interactive control. Interactive control allows them to fulfil a more prominent role in formulating targets and making decisions, whereas diagnostic control systems are more restrictive.

Evidently, type 3-change (in which the leadership style of managers also has to change) will often affect work satisfaction. Leadership styles differ in the kind of needs of workers a leader appeals to. Transactional leaders emphasize the satisfaction of a worker’s physical needs, whereas transformational leaders emphasize the socio-emotional needs of the members of the organization. Type 3-change will positively or negatively affect work satisfaction, depending on the importance that workers attach to the intrinsic and extrinsic rewards that the several leadership styles focus on.

Concerning the effects of accounting change on the work satisfaction of employees in an organization, this paper addresses the following (third and fourth) specific research questions.

Specific research question three: what is the effect of (new) accounting rules on the work satisfaction of the organization’s employees?
Specific research question four: *do the effects of (new) accounting rules on work satisfaction result in support for or resistance against the (changed) rules and how does this affect changes in accounting routines?*

Figure 2 contains the conceptual model of the paper.

**INSERT FIGURE 2**

**3. Case setting and research methods**

The case company is called the Stam Groep and is a family-owned group of outlets that provide services in the automotive sector. The Stam Groep employs approximately 360 people. The group owns ten car dealership outlets, all representing Renault, a French car brand mainly specialized in the middle segments of the European car market. Furthermore, they have two body shops, four petrol stations, a leasing company and a finance & insurance company. Starting in 2001, the company’s top management has introduced many new accounting rules; more details of this change will be provided later on in this section. Interestingly, the outlets differed considerably in the extent to which these new rules also resulted in new routines. The author of this paper has maintained contacts with the owners of the Stam Groep for many years. The differences between the
outlets were the start of this research project, because we believed a comparative analysis of these differences could deepen our understanding of accounting change. A questionnaire was developed to interview the managers of the several outlets. This questionnaire focussed on the relations between managers and employees in the outlet and with the company’s owners. During the interviews, one particular dimension of the relations between the several managers and their subordinates turned out to be of significant importance to explain the differences in accounting change between the outlets: the leadership styles of top managers, local managers (in the outlets) and the (resulting) work satisfaction of the employees of the outlets.

The company was founded in 1913 and is now owned and managed by the fourth generation of the Stam family. Since 1999, the Stam Groep has undergone drastic changes. First, in 1999 it acquired four new outlets. These new outlets, previously owned by Evert Kroon, differed considerably from the original outlets in the holding. The most important difference is that each of the original Stam outlets used to be managed by one of the members of the Stam family, whereas Evert Kroon employed (non-family) dealership managers and interfered with daily managerial tasks to only a limited extent. Second, as a result of these acquisitions and the increased market share of Renault in the Dutch market, the company expanded considerably. Third, a new generation took over the ownership of the Stam Groep: the third generation of the Stam family gradually retired and the fourth generation took over the ownership and the management of the company. The third and the fourth generation also differed considerably: the third generation was trained and educated in daily practice and had a lot of experience in the
operative work of a car dealership; consequently, they interfered intensively in the daily operational processes of the dealerships. The fourth generation concluded that the increased complexity and size of the company required them to adopt a more distant approach towards the control of the operational processes in the outlets. As the fourth generation was mostly university educated in business administration, they were familiar with management control approaches other than direct interference of the owner in daily operational tasks. The fourth generation more relied on a transactional leadership style, whereas the third generation’s leadership style was more transformational.

Starting in 2001, a number of important changes in the company’s management control system were initiated. These changes, which are summarized in figure 3, concern six dimensions of the company’s management control system. Below, the six dimensions will be explained in detail. The outlets in the Stam Groep differ considerably in the extent to which the fifth and sixth dimensions on the initiated changes were realized. This paper aims to explain these differences by investigating past and present leadership styles of the managers and the resulting work satisfaction of the employees in the three outlets. Two of these outlets are at the extremes of the continuum: one of the investigated outlets realized the initiated cases to the highest extent in the group; the other case realized these changes to the least extent. The third case is in an intermediate position between the two extremes. The selection of the three outlets is based on discussions with members of the management team in the orientation stage of the research.

INSERT FIGURE 3
The first dimension of change concerns the formation of a central management team for the Stam Groep as a whole. Until then, the dealership managers (the managers of the several outlets) were family-members who, largely independent of the other outlets, made their own decisions concerning both strategic issues (such as personnel, organization, investments, marketing and advertising) and operational issues (such price-setting and order acceptance). In the new situation, the family-members are part of the group’s central management team; the separate outlets nowadays have non-family managers. The group’s central management team has six members; five of these are members of the Stam family and own shares in the company. The controller is the only member of this team who is not part of the family. The other positions in the management team are general director (chairman of the team), sales director, after sales director, director of marketing and advertising and director of personnel and organization.

Second, the new owners standardized the organization structure of the ten outlets. Each outlet now has a dealership manager and four department managers: a service manager, a workshop manager, a parts manager and a sales manager. Most of the dealership managers have worked for Stam for a long time and were internally promoted. The service manager is in charge of the reception and the planning of the workshop. In a car dealership, there are many interdependencies between the departments: the workshop needs parts and a planning and the sales department is dependent on the workshop to make sold cars ready for use. The service manager is also the coordinator of the several departments in the outlet. The workshop manager is in charge of the mechanics: he
checks the quality of the work of the mechanics, whether all the necessary jobs on a car are executed and he coaches and trains the mechanics. The parts manager is responsible for on-time providing parts needed by the workshop, the purchasing of parts, selling parts to external customers and stock-keeping. Finally, the sales manager is in charge of selling new and used cars. Figure 4 summarizes the organization structure of an individual outlet.

Third, decision-making concerning the strategy and targets was centralized and moved from the outlets to the central management team, while operational decision-making remained in the outlets but, instead of a family member, a non-family manager is now in charge of operational decisions. Decisions concerning investments, personnel, marketing and advertising are no longer made in the outlets; the central management team makes these decisions in consultation with the local management of each outlet. In the new structure, members of the Stam-family hardly interfere in operational decisions, such as price-setting and order acceptance. In their role as dealership managers, the third (previous) generation of family members used to play an important role in this kind of decisions making.

Fourth, the management team replaced the existing, rather implicit approach to management control by a more explicit management control system. More specifically, many operational processes in the outlets were standardized and performance measurement was introduced to the outlets as a whole and to the individual departments.
For example, procedures for purchasing parts, making offers and order acceptance differed between the outlets and were standardized.

The provision with non-financial performance information used to be quite poor. The previous generation heavily relied on implicit controls: they were on the work floor on a daily basis, they all had several decades of practical experience and they knew personally many of their customers. The former Evert Kroon outlets were also controlled in an implicit manner: standards were rarely available and performance information was not or hardly available. However, the new generation of the Stam family introduced non-financial performance reports. Furthermore, they started to provide dealership and department managers with financial and non-financial performance information. Nowadays, the dealership and department managers regularly receive three kinds of performance reports: the profit-and-loss-account, the results of customer satisfaction surveys and a Balanced Scorecard. The Stam Groep has two Balanced Scorecards: one for sales and one for after sales. In the Balanced Scorecards, the performance of all ten outlets is visible and the outlets are ranked according to their performance.

The empirical work in this paper consists of in-depth interviews with members of the central management team, the dealership managers and the department managers of the three selected outlets. The interviews were held in 2004 and 2005. The department managers of an outlet are the service manager, the workshop manager, the parts manager and the sales manager. Figure 4 is the organization structure of an outlet.
The interviews were recorded and transcribed. The interviews lasted between 55 minutes and almost three hours. Most interviewees were interviewed once. One dealership manager and one member of the central management team were interviewed twice. Furthermore, at the start of this research project a meeting with the group’s management team took place. Separate questionnaires were used for interviewing members of the management team and for managers of the three outlets. These questionnaires were used as a checklist with topics that potentially explain the observed differences. The empirical work in this project can be classified as an interpretative case study: it started with a broad focus, taking into account a broad variety of possible explanations and it subsequently focused on the most powerful explanations for the phenomena that were observed in the case.

4. Results

This section describes the realized changes in management accounting and management control in the three selected outlets. The company’s top management introduced more explicit accounting rules, such as standards and performance measures, to the outlets. These new explicit controls were intended to enable top management to take more distance from the daily operations in the outlets and to delegate decision-making authority to dealership and department managers. The presentation of the findings of the field studies starts with Soest, the outlet in which the changes initiated by the central management team have been realized to only a limited extent. Subsequently, accounting change in the outlet in Hilversum is described; this outlet is in an intermediate position in
the group in between of the outlets that realized change to only a limited extent on the one hand and outlets that realized most of the initiated changes on the other hand. Finally, change in Leidsche Rijn, where most of the initiated changes were realized, will be addressed.

4.1 Soest

In Soest, accounting change took place in a lesser extent than in the other outlets in the Stam Groep. The managing director and chairman of the management team and the sales director of the Stam Groep argued that the outlet in Soest is a team of well-performing anarchists: they have strong own opinions that do not always accord to the ideas of the management team. The after sales director described Soest as a team of conservatives in an era in which change in the automotive sector is essential; Soest only changes if the senior management team puts a lot of effort in convincing them. Soest’s current dealership manager confirms that his outlet behaves in a relatively independent manner and that it did not adopt all the changes initiated by the management team. In Soest, the new accounting rules introduced by the group’s top management resulted in new accounting routines to only a limited extent.

The managers in Soest find it difficult to work with the new explicit controls and have doubts about the effectiveness of the initiated changes in the company’s management control system:
Since the expansion of the Stam Groep and the change of generation in the Stam family, the management of this company has become much more theoretical. If difficulties occurred at work floor level, we used to directly solve those difficulties in an impulsive and creative manner. Nowadays, these issues need to be described and discussed with the person who is accountable. Subsequently, the solution is written down as well. All in all, management became more bureaucratic and I am sure that many people in the Stam Groep, also in other outlets, agree with me. (dealership manager)

The standards, protocols and performance measures that were designed play a limited role. Although the standard organization structure for the outlets that is designed by the management team is also officially implemented in Soest, managers in this outlet also execute tasks that are clearly beyond their official job description. The procedure that starts at the moment that a car is sold and ends when the car is handed over to the customer is a good example. According to the standards, all the tasks in this procedure have to be executed by the salesman who sold the car. These tasks are ordering the car at the manufacturer, registration of the licence plate, taking care that all the parts that need to be installed in the outlet in addition to the car’s standard equipment are available, planning the job to make the car ready for use in the workshop, checking the car, inviting the client, invoicing and handing over the car to its end user. In Soest, the parts manager executes most of these tasks.

A car dealership employs sales people and after sales people. Usually, salesmen are a bit passive, not to say lazy, whereas after sales people are often more active. Our parts manager takes care of all the logistics concerning the cars that we sell. He really enjoys doing this work and the coordination between sales and after sales is really excellent. It is not according to the standards and it is not documented at all, but it works well and it saves a lot of money, because we keep the cars in stock for only a very short time. (dealership manager)

The use of performance measures also is not in accordance with the rules of the Stam Groep. According to the local management of this outlet, the value of the Balanced Scorecard and other non-financial performance information is small. The information is too complex and too theoretical; it does not offer enough clues for practical interventions at work floor level. The management of this outlet argued that the operations in a car
dealership are rather simple and the Balanced Scorecard is too sophisticated. The
department managers do almost nothing with the information in the Balanced Scorecard
and the dealership manager mostly uses it in his communication with the group’s
management team, but hardly for internal control.

Soest is the oldest outlet in the Stam Groep. The current outlet is located on the spot
where the company was founded in 1913. Many employees of the Soest outlet have
worked there for more than twenty years; the team is stable and loyal. Jan Stam, the
previous dealership manager and a member of the previous generation of owners, hired
most of the employees of the Soest outlet at a young age. He put a lot of energy in
training and educating young employees, especially in the execution of operational
processes. According to the current dealership manager, continuous communication and
daily visibility was the most important management control instrument that Jan Stam
applied.

Jan Stam talked to everybody in the outlet, every day. He just knew what was going on and what people
were doing. Apart from the volume of cars that we sold, he never communicated any performance figures
to us, not even when we explicitly expressed that we were interested in this information. I even doubt
whether he himself was familiar with the most important performance figures. (…) He never wrote down
anything; he just talked to the people on the work floor concerning the daily operations and he trained
young people to come up with their own solutions in a very practical manner. Nowadays, the most
important performance information is available to everybody in this outlet. (dealership manager)

The leadership style of Jan Stam can be classified as a combination of transactional and
transformational: he communicated the values of the organization and he paid personal
attention to the employees of the outlet. The new (non-family) dealership manager argues
that he cannot be seen as the successor of Jan Stam. Jan Stam was charismatic and much older. Furthermore, he partly owned the company, is a member of the Stam-family and had almost all the decision-making authority in the outlet. He was able to play a completely different role. Before the new dealership manager got promoted to this position, he cooperated with the other department managers for many years. As a consequence of this long history of cooperation, the department managers rather are his colleagues than his subordinates. The new (non-family) dealership manager was unable to fulfil a transformational leadership style.

However, the new (generation of) owners did not adopt a transformational style either, they mostly adopted a transactional leadership style and the new accounting rules were intended to communicate the objectives of the several outlets. These new rules involve that the old, implicit controls were largely replaced by explicit controls, such as standards and protocols that prescribe most of the outlet’s primary processes. The new explicit controls badly matched with the leadership styles of the local managers and with the leadership style of the previous dealership manager, which made it difficult to apply the new rules. Transformational and transactional leadership used to be exercised by one person (i.e., the previous dealership manager and owner). After the change, the (new generation of) owners adopted a mainly transactional style, leaving transformational leadership to local managers. The required change can be classified as type 3-change, which is the most complex kind of change defined in this paper. As a result of this complexity, the new rules were applied to only a very limited extent.
The previous dealership manager (and owner) in Soest appealed to the socio-emotional needs of his employees in a high extent. The new generation of owners puts more emphasis on standards, rules and performance measures. Many employees resist the new accounting rules and the case material indicates that the reason for this resistance is that the change negatively affects the satisfaction of the needs of the employees. Typical for this resistance is the following criticism on the leadership style of the members of the central management team:

There is a big difference between the seniors and the juniors of the Stam-family. For example, Sipko is responsible for after sales in the group, but our people in the workshop say “we never see him”, but he does provide us with standards, forms and procedures. I would say to him: show them your face, walk up and down the workshop, chat with them; I don’t care, but show that you are there. (…) At the moment, we are reconstructing parts of our building, but the management team is seldomly here. We, as local management, are of the opinion that the management team should be here more often (a) just to show them that they care and they are interested; (b) to make decisions on the spot; (c) to make themselves visible in the company and (d) to enable people to directly ask questions. They should put their standards and procedures in their cases and they should communicate and I don’t care what they communicate about. (dealership manager)

In Soest, changes are difficult to implement. According to the after sales director, they resist change and only change if the management team puts a lot of effort in convincing them. An example is the introduction of standard prices for service jobs on cars. Traditionally, the price that is charged for a service job is the sum of the prices of the labour hours and the parts that are used. The Stam Groep’s management team made the decision to work with fixed prices for service jobs: there are fixed prices for cars of a certain model and mileage. Most outlets in the group changed to the new system, but Soest did not.
When I realized that Soest did not work with the new system, I went there and I analysed a number of recent invoices for service jobs. Subsequently, I compared the standard price of these jobs with the amount that they had invoiced to the client. I could prove them that they would realize more benefits if they would use the new system. That convinced them, because they are motivated to perform well. (director after sales)

All in all, management accounting and management control in Soest changed to only a limited extent. The management control system that existed before the initiated change was very implicit and the previous dealership manager applied a largely transformational leadership style. The team of Soest was used to this transformational leadership style and this style satisfied some emotional needs of the team members: the leader demonstrated interest in their work, invested time in their coaching and communicated the company’s mission. The new dealership manager felt unable to fulfil this role; he rather is a colleague of the department managers in the outlet than their superior.

The new generation developed a more explicit approach to management control and a more transactional leadership style. Compared to the generation of their fathers and mothers, they were more distant from the daily operations on the work floor. However, local management in Soest expressed a need for more personal attention from the group’s management team, which implies a desire for a more transformational leadership style by the company’s owners. Soest tends to resist against change, but if the new generation of owners pays personal attention to the people that execute the daily operations, the initiated changes usually take place. Appealing to the socio-emotional needs of the employees of the outlet in Soest is essential to realize accounting change.
The leadership style of the owners of the outlet changed a lot. The former generation had a transformational style and relied on implicit controls. The new generation has a more transactional style and applies more explicit controls. Leadership by the owners in this specific outlet changed from transformational leadership by an individual leader to more transactional leadership by a group. The local managers adjusted their leadership styles to the new situation to only a limited extent. As compared to the previous generation of owners, the new generation puts more emphasis on the performance that they expect of the outlets and they mostly communicate these expectations via the newly designed explicit controls. These changes imply that the new owners (top managers) appeal to the socio emotional needs of the employees in a much lesser extent than the previous generation of owners did. A way of dealing with this change in leadership style by the owners is that local managers develop a transformational leadership style and coach and inspire the employees of the outlet. However, the local managers in Soest were unable to successfully develop a transformational leadership style. As a result the new accounting rules resulted in new routines to only a limited extent.

4.2 Hilversum

Concerning the extent to which the outlets have developed new accounting routines according to the new rules, all the three interviewed members of the group’s management team indicated that the outlet in Hilversum is in between of the two extreme cases of Soest and Leidsche Rijn.
The dealership manager receives the reports with performance information. These reports are the Balanced Scorecard, the results of the customer satisfaction survey and the profit-and-loss account. The dealership manager receives all these documents and he makes a selection of issues that need attention. Subsequently, the department managers receive the performance reports and the issues selected by the dealership manager are discussed. However, the impact of these measures on the work of the department managers is limited.

The contents of the performance reports that I receive seldomly come as a surprise. Basically, I already know how we performed on the basis of my work. To me, the final check of cars is a very important source of management information: if a service job on a car is finished, the quality of the work is checked by me or by the workshop manager. As a result of these final checks, I know what the quality of our work is and customer satisfaction surveys and the BSC do not contain surprises. The BSC is a document for the management team and reports what I already observed. (service manager)

Before the change of generation in the Stam Groep, the situation in Hilversum was comparable to Soest: the daily operations of the outlet were managed by an elder member of the Stam family, Geerlof Stam sr., who had a transformational leadership style. The transitions that these two outlets had to make were comparable, but Hilversum has changed much more than Soest. After the retirement of Geerlof Stam sr., a rather young (non-family) dealership manager was appointed, who had already worked for this outlet for several years and in several positions. Personal attention and authority were important in the leadership style of Geerlof Stam sr.:
Geerlof Stam sr. is a very talented practitioner. On the basis of his intuition and experience, he knew what went wrong and what went well in the outlet. (...) In this outlet, we had our own habits concerning the primary processes. (dealership manager)

The local management in Hilversum reports about the transition in the company’s management control system in the same manner as the local management in Soest: the old generation interfered in the primary processes and paid personal attention to employees, whereas the new generation relies on standards, protocols and performance measures. Also in Hilversum, the dealership manager labels the transition from the old generation to the young generation, as a transition of a “practical” focus to a “theoretical” focus on managing the company. The service manager argued that managing his department used to be simpler:

We used to be more flexible. If I had a problem under the previous generation, I just drank a beer with Geerlof Stam sr. and we agreed on a solution. (service manager)

Just like in Soest, the local managers in Hilversum experienced a significant change in the leadership styles of the owners, from transformational by the old generation to more transactional by the new generation. Also the employees in Hilversum experienced the weakened emphasis of the company’s owners on their socio emotional needs. Nevertheless, the new accounting rules did result in new routines. An important difference between Soest and Hilversum concerns the attitudes of the local managers
towards the more explicit approach to management control that was initiated by the new generation.

Local managers in Hilversum share the opinion of the group’s management team that performance measures are essential for the central management team to control the organization, after its expansion and the centralization of the organization structure. The new dealership manager in Hilversum argues that his role is the role of an interpreter:

In this outlet, we used to work with one of the owners on a daily basis. Nowadays, the owners are all located on one central location. My role as a dealership manager is to translate the practice of the work floor to the theory of the central management team and the other way around.

An important difference between Soest and Hilversum concerns the turnover of department managers. Although the dealership manager in Soest has much more experience and is older than his counterpart in Hilversum, the new dealership manager in Hilversum was better able to fulfil the role of a superior and a coach. Soest has a well-performing but also very stable team of department managers that has cooperated for many years. However, the team of department managers in Hilversum was quite unstable: over the first three years following the introduction of the new management control system all except one of the department managers left and the remaining department manager was promoted to dealership manager. Consequently, the newly appointed dealership manager did not have to supervise department managers with whom he had
cooperated for many years. This change enabled the dealership manager to develop a more transformational leadership style than his counterpart in Soest.

However, the new dealership manager in Hilversum had in common with his colleague in Soest that his leadership role fundamentally differs from the role played by Geerlof Stam sr. Apart from the difference concerning the ownership of the company, personality and experience play an important role.

Geerlof Stam sr. had a natural authority and a charisma that I do not have. That is a matter of age and of experience. He relied on intuition and I put more emphasis on objective facts.

The new dealership manager indicates that he needs standards, facts and figures as a basis to execute his duties as a dealership manager. He uses several sources of information. First, he uses the formal sources of information: the Balanced Scorecard, the profit-and-loss account and the ratings of the customer satisfaction survey. Second, he gathers his own information. He holds files of the individual employees in the outlet and he writes down his own observations and the incidents that take place in the outlet.

I coach my people on the basis of documented facts. I need those facts to do my job. I do not have the natural authority to manage without those facts. I also receive coaching to develop my management skills.

Just like in Soest, the dealership manager in Hilversum argued that he cannot be seen as the successor of Geerlof Stam sr. Both new dealership managers emphasize differences in authority and charisma. However, in Hilversum the new dealership manager is, despite his relatively young age, able to fulfil a completely
different leadership role than his colleague in Soest, as his team of department managers has undergone important changes. Consequently, for the dealership manager in Hilversum it was easier to fulfil the role of a (transformational) leader than for his counterpart in Soest, who had to work with a stable team. The new dealership manager in Hilversum had the task to introduce the new department managers to this outlet and to the Stam Groep and the newly developed standards and performance measures provided him with a tool to communicate the procedures and the priorities of the company.

The more explicit approach to management control that was introduced by the new generation of owners clearly helped the newly appointed dealership manager to do his job. During the interview, he indicated that when he accepted this position he had asked for coaching by the central management team, because he felt rather inexperienced and slightly insecure. The more explicit management instruments that were introduced to the company provided him with a structure: many processes became standardized and it became clear what he was hold accountable for. The new standards, procedures and procedures were helpful in developing himself in the role of a dealership manager. The changes in management control clearly coincided with changes in the leadership in this outlet. Although there was a bad match between the new accounting rules and the leadership style the outlet in Hilversum was used to, the new rules were actively applied. The reason for this is that these rules helped the new dealership manager to develop himself as a leader. Just like in Soest, the new accounting rules implied a type 3-change.
However, the large turnover of department managers urged the dealership manager to adopt a transformational leadership style.

The leadership style of the owners of the Stam Groep and of the dealership managers contribute to explaining the differences between Soest and Hilversum in the extent to which the newly developed accounting instruments are actually used. First, the relation between the owners of the company (i.e., the current members of the group’s management team) and the outlets became more transactional. However, in Hilversum the leadership style of the owners is more transformational than in Soest, because they put extra effort in coaching the relatively inexperienced new dealership manager. Second, both the past dealership manager, Geerlof Stam sr., and the new dealership manager apply a transformational style in managing the outlet. However, Stam relied on his personal vision that was not documented at all and the new dealership manager makes a selection of issues that need attention out of the performance information that he receives. The new dealership manager discusses the items that he selected with the department managers concerning the interventions that are needed to improve the outlet’s performance.

The new accounting rules affected the satisfaction of employees’ needs in Hilversum. Especially the newly appointed dealership manager felt the need for a structure to execute his duties and the explicit controls that were introduced by the company’s top management provided him this structure. The new sales manager (who was recently
demoted and who used to be the dealership manager in one of the smaller outlets) also appreciates the clarity that results from the introduction of rules and standards.

Nowadays, decision-making authorities are clearer and there is a clear hierarchy. Responsibilities are much clearer and primary processes are better structured. As a sales manager, I have more freedom than a sales manager used to have during the previous ownership and it is clear what I am accountable for. (sales manager)

Freedom, structure and clarity were positive effects of the new accounting rules on the satisfaction of employees’ needs. Different from Soest, the dealership manager in Hilversum did not report less attention from his superiors for his socio-emotional needs; the explanation for this is that he has asked and received coaching in doing his work as a manager.

In Hilversum, the change in accounting rules also resulted in a change in accounting routines. The change in accounting routines was possible, because the leadership style of the managers in this outlet also changed. The company’s top management mostly relies on a transactional leadership style in managing the (employees of the) outlets by emphasizing targets and performance measures. As a result of the replacement of the department managers in this outlet, the dealership manager was required to fulfil a transformational leadership style: he became responsible for making the new managers familiar with the company by supervising and coaching them. In this respect, Soest and Hilversum differ a lot. In Soest, all the managers knew the company very well, transformational leadership was removed from the outlet, but everybody continued to de
their work in the way they were used to. In Hilversum, new managers had to be introduced to the company and to the outlet, which stimulated the dealership manager to adopt a transformational leadership style.

4.3 Leidsche Rijn

All members of the group’s central management team argued that the outlet in Leidsche Rijn has implemented the initiated management control changes to the highest extent in the group. In the interviews with the dealership manager and the department managers, both the newly introduced standards for the most important primary processes and the performance scores (the Balanced Scorecard, the customer satisfaction scores and the profit-and-loss account) turned out to play an important role in the outlet’s management control routines.

At the time of the change in accounting rules, Stam had recently bought the outlet in Leidsche Rijn from its previous owner. The leadership styles of the managers in this outlet hardly had to change: the outlet was already used to an owner with a transactional leadership style and the local managers already applied a combination of a transactional and a transformational style. Local managers had developed their own explicit controls, such as standards, procedures and performance measures to communicate their expectations to their employees, enabling themselves to apply transactional leadership. In addition, they coached
and cooperated with their employees and by doing so they executed transformational leadership.

Although leadership styles hardly changed, the outlet in Leidsche Rijn has undergone drastic changes in its management accounting and management control system exercised by its owner. In particular, control exercised by the outlet’s owner changed from implicit to explicit. Before the change (under the previous owner), the owner had a transactional leadership style, i.e., he consistently communicated that he wanted to earn more profit. However, management accounting and management control were very implicit: he neither set clear standards nor communicated reliable performance information to the outlet. As a consequence, the local managers in the outlet had a lot of freedom. However, for the current owners (i.e., the Stam Groep) and for the local managers of the outlet, standards are important to control the organization.

The dealership manager indicated that he has put a lot of energy in communicating the standards for the primary processes to the employees of the outlet, both before and after the management accounting and management control system’s change. His own view concerning the way in which he executes his work as a dealership manager is that he puts a lot of energy in defining and standardizing optimal primary processes and in communicating performance information. He prefers to hire young people: experienced
people often have their own routines and find it difficult to adjust to the standards that apply in this outlet.

In evaluating the performance of the receptionists, the service manager specifically addresses the standards in the evaluation of his subordinates: the extent to which receptionists work according to the standards is part of their evaluation. The service manager:

In controlling the reception, I continuously communicate the standards; we have relatively new, inexperienced receptionists. In the periodical job evaluation interviews, I also discuss these standards. Now and then, I draw a sample of the files that we hold concerning service jobs: I check whether the invoice is correct and whether the receptionist asked for permission to execute work up to a certain amount of money.

The workshop manager emphasizes that standardization is the most important instrument in controlling the quality and the efficiency of the workshop.

This organization has changed completely: we described the standard processes and the routing of orders through the outlet. Two or three months after the description of a process, we evaluated these processes and we revised and fine-tuned them. (...) After a few years, the processes are rather well-defined and standardized. (...) Nowadays, mechanics just have to work according to the standards; that is an important element in the quality of our work.

The new accounting rules introduced by the company’s top management (involving the introduction of more explicit controls) supplements the controls designed by the local managers and facilitates the leadership styles that they already applied.
The performance information that is available in the outlet is discussed in meetings at two levels in the outlet. First, there are regular meetings of the dealership manager and the department managers in this outlet. The performance figures are on the agenda in this meeting. The dealership manager sends the complete documents to the departments managers, he highlights issues that deserve attention and he asks the department managers for explanations and suggestions for improvements on these issues. The dealership manager argued that the Balanced Scorecard is helpful to keep focussed on the company’s most important objectives. Second, department managers discuss performance information with their subordinates. The service manager and the workshop manager send the customer satisfaction ratings to the members of their departments. They both argued that part of their subordinates are interested in these figures: they want to know how well they perform. Additional to the customer satisfaction ratings, the sales manager also sends the Balanced Scorecard to the salesmen and continuously keeps them informed about sales figures.

All the managers in this outlet claimed to find the Balanced Scorecard very useful. The workshop manager uses the available performance information to support his management interventions with facts and to direct the attention of his subordinates on difficulties that occur in his department. He argued that the performance information seldomly comes to him as a surprise, but that it provides him with facts that support his work as a manager and that it makes his interventions more powerful. The service manager is also an intensive user of performance information and of the Balanced Scorecard:
I was quite happy when the Balanced Scorecard was introduced to this outlet. I already had some financial performance information and some information about customer satisfaction, but information on the internal processes was lacking. I managed those processes mainly on intuition and my own subjective observations. (...) I appreciate to have a measure that indicates whether I am on the right track.

According to the dealership manager his work has become much easier since the introduction of the standards and of the Balanced Scorecard. At the time of the interviews, the outlet in Leidsche Rijn had just moved to a new building. Before the move, this outlet was located in three buildings. Without performance measures and without explicit standards and procedures the dealership managers had a very hard job overseeing the activities in three separate buildings.

I used to run around like a madman between the three buildings. Our move to a new building helped a lot, but also the introduction of more and clear performance measures made my life easier. The performance measures help me to oversee this outlet.

The match between the leadership styles of local managers (both in the past and at present) and the new accounting rules introduced by the organization’s top management was quite good. As a consequence, the initial application of these new controls by local managers was easy. Therefore, the change needed to apply the new rules can be classified as type 2-change.
The history of the outlet in Leidsche Rijn and of the outlet’s management control system is completely different from Soest and Hilversum. Whereas the outlets in Soest and Hilversum were owned by Stam for several decades, Leidsche Rijn was bought by Stam in 1999. It used to be owned by Evert Kroon, although he did not play an active role in managing this outlet. There was a dealership manager, appointed by Kroon, and this person was retained when the outlet was sold to Stam. However, the management control mechanism under the ownership of Kroon was very implicit and Kroon’s leadership style can be classified as very transactional.

According to the dealership manager, Evert Kroon clearly communicated that he had only one purpose with his (numerous) companies: to make as much profit as possible. The profit-and-loss account was the only document with performance information he paid attention to in the communication with his dealership managers. He clearly communicated that profit was the only aspect of performance the dealership managers were held accountable for. However, the dealership manager is convinced that he manipulated the sales figures.

The outlet always made at least some profit, but it was never enough. I always asked myself how the relatively low profit figure could be explained, because we worked very hard and sold large numbers of cars. The outlets were always charged for overhead costs, such as the costs for central administration, but these costs have never been transparent to me. I am quite sure that Kroon manipulated our profit figures and kept these figures low to keep us under a continuous pressure to improve.

Additionally, Kroon reacted on incidents and details as a way to exercise control. The dealership manager:
Now and then, we have a car in the showroom that is difficult to sell and then it takes some additional effort to sell such a car. Although Kroon owned four outlets that together sold hundreds of cars per year, he tended to remember those “difficult” cars. Sometimes, I did not see or hear him for two months, but if I sold a difficult car he used to notice that and made a remark about it. That was his way to show that he was watching me, that I had to stay alert. (...) An employee could be his “best pal” one day and get fired the next day and we all knew that and by making remarks about details he kept us alert.

As an owner Evert Kroon had a transactional leadership style. The controls mainly were of an implicit nature: there hardly were standards and performance measures, but profit was very important and only the owner exactly knew the profit figure. The dealership manager had a lot of freedom, but was conscious of the fact that Kroon would not hesitate to fire him, if the profit would become too low.

Leidsche Rijn has in common with the two other investigated outlets that standards concerning the primary processes and performance measures were new in management control system by their owner. However, in Soest and Hilversum the leadership style of its owners changed from transformational to more transactional. In Leidsche Rijn, the leadership style of the owner already was transactional and the transformational dimension was even strengthened. The current young generation of owners more elaborately and more clearly communicates their objectives than Kroon did and they demonstrate interest in more performance criteria than only financial performance. The new accounting system provided clarity to this outlet concerning the performance it is required to realize. This clarity can be seen as a significant contribution to the work satisfaction of the dealership’s managers and workers: it indicates what should be done to
accomplish job security and improved the relations with the outlet’s owners. The new accounting rules (and their application) clearly had a positive effect on the satisfaction of employees’ needs, which resulted in support for the new accounting.

The introduction of the new accounting by the group’s top management hardly resulted in changes in the leadership styles of the managers in the outlet. A change in leadership style of these managers was unnecessary, because these styles already matched well with the new accounting rules. The new accounting rules strengthened the explicit control system that the local managers in Leidsche Rijn already applied.

5. Conclusions

The success of changes in management accounting and management control initiated by an organization’s top managers is affected by the leadership styles of individual managers, both at top-level and at lower levels. To analyze accounting change, this paper classified three types of change: type 1-change (change in the accounting information system); type 2-change (in addition also including management control system change) and type 3-change (also including change in the leadership styles of managers). In the case study, the change intended by the top managers were type 2- and type 3-changes, depending on the outlet.
Compared to the generation of their fathers and mothers, the new generation of owners puts more emphasis on the transactional dimension of leadership and they use accounting in a more explicit manner: accounting is used to express the targets, to monitor deviations between targets and performance, to take management interventions and to evaluate the performance of dealership managers and department managers. The transformational dimension of leadership has become the task of the non-family dealership managers.

The top management of the case company decided to introduce more explicit controls, such as standards, protocols, targets and performance measures. Top management used these explicit controls to express their expectations concerning the performance of the outlets. For all the outlets, the new accounting rules implied a major change, because management control used to be implicit, rather than explicit. The outlet that relatively easily adopted the new explicit management control system (i.e., Leidsche Rijn) was already used to an owner with a transactional leadership style. The previous owner of this outlet had a transactional leadership style: he consistently expressed that he wanted to make more profit, but he neither provided the outlet with clear targets, nor with clear and transparent performance information. For this outlet, the application of the new accounting rules was easier than for the other outlets. The local managers did not have to adjust their leadership styles and they were already used to an owner that did not appeal to the socio emotional needs of his managers and employees. The satisfaction of physical needs, which transactional leaders emphasize, was even strengthened as a result of the accounting change. The clarity concerning the outlet’s targets and concerning the performance resulting from the new explicit controls strengthened the satisfaction of
physical needs of the managers and employees in this outlet. The change that the company’s top management initiated was rather supported than resisted in Leidsche Rijn.

In the two other investigated outlets (i.e., Soest and Hilversum), the change required to implement the new accounting rules can be classified as type 3-change. Management control by the company’s owners also changed from implicit to more explicit, but these two outlets had to adjust to a more transactional and less transformational leadership style by the (new generation) of owners. In these two outlets the new accounting badly matched with the leadership styles the two outlets were used to. This bad match complicated the required management accounting change. In one of these outlets (Hilversum) the accounting system had nevertheless successfully changed, whereas change had hardly taken place in the other outlet (Soest). The comparison of these two outlets offers several clues to explain how complex (type 3-) changes can be implemented.

The most important difference between Hilversum and Soest is that in Hilversum the leadership style of the company’s owners changed more gradually. This more gradual change was the consequence of the request by the outlet’s dealership manager to receive coaching in managing the dealership. By coaching this dealership manager, the owners adopted a more transformational leadership style towards this outlet than towards the other outlets. In addition, also transactional leadership by the owners was strengthened in this outlet (just like in the other outlets). In Hilversum, the owners executed both transactional and transformational leadership. By doing so, they appealed to both the
physical needs and the socio-emotional needs of the managers and employees of the outlet.

Another factor that stimulated the accounting change in Hilversum is that the new dealership manager needed a structure to communicate the outlet’s goals to the department of the outlet, because all the department managers had left and the dealership manager had to introduce the new department managers to the company. The new accounting rules developed by the company’s top management provided the dealership manager with a structure to communicate the goals, the priorities, the performance and the procedures of the company. The new explicit controls helped this rather young dealership manager to control the outlet.

The leadership styles of managers and management accounting change are clearly related. If top management combines a change in leadership style with the introduction of new accounting rules, this (type 3-) change will affect the work satisfaction of lower managers and employees. If the change has a negative impact on work satisfaction, lower managers and employees may resist the change, as was observed in Soest. If accounting change strengthens existing leadership styles and lower managers and employees appreciate the satisfaction of the needs these styles appeal to, they will support the change, as in Leidsche Rijn.

This paper offers several clues of how more complex (type 3-) changes can be realized. It is important that top managers who initiate the change will realize how change will affect
the work satisfaction in the organization. Accounting change that also includes a change in the leadership style of managers affects the work satisfaction of the employees of the organization. Both physical and socio-emotional needs of employees are important to consider for effective leadership. Effective leaders apply both a transactional and a transformational leadership style. If top managers initiate a change that implies a weaker emphasis on the socio-emotional needs of employees, it is advisable that they communicate to lower managers that these lower managers have become responsible for transformational leadership. Top managers may fulfill a transactional role (by communicating the organization’s objectives), whereas lower managers fulfill a more transformational role (by coaching and inspiring employees). In a change, it is important that top managers explain to lower managers which leadership style these lower managers are expected to fulfill and how leadership styles at the several managerial levels in the organization are expected to change. A gradual change in leadership styles supports the realization of the desired accounting (type 3-) change. Together with the introduction of the new accounting rules, the company’s top management may gradually change its leadership style, for example by coaching lower managers in adjusting their leadership style. In a change process from implicit control in combination with a mostly transformational leadership to a situation with explicit control and more transactional leadership by top managers, lower managers need to change. Lower managers become more responsible for appealing to the socio-emotional needs of the employees and temporary coaching may help these lower managers to gradually adjust their leadership style.
This paper offers several interesting directions for further research. First, an investigation of leadership styles in the development of new accounting rules may contribute to our understanding of changes in accounting routines. Questions concerning the participants of the process of developing these rules and the leadership styles that these people fulfilled in this process may be relevant. Did an individual top manager develop the new rules on the organization or did a group of managers who need to work with the new rules play an important role? Second, the leadership style that was applied in introducing the new rules to the organization may affect changes in accounting routines. New accounting rules may be simply imposed on an organization. Alternatively, top management may also pay a lot of attention on the new rules, explaining the problems that they want to solve by introducing the new rules and the role that managers and employees play in solving these problems and the application of the new rules. Third, some management control systems changes may imply that managers need to adjust their leadership style, as we observed in this paper. An interesting research question would imply the process of change in leadership styles. Fourth, an interesting question concerns whether and change in accounting routines relates to the extent to which lower managers understand which leadership they are expected to play in the context of the organization’s management control system.
References


Figure 1: the control problem, according to Birnberg (1998, p. 30)

<table>
<thead>
<tr>
<th>ENVIRONMENT</th>
<th>NATURE OF TASK</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Routine</td>
<td>Non-programmed</td>
<td></td>
</tr>
<tr>
<td>Stable/predictable</td>
<td>Cell 1</td>
<td>Cell 2</td>
<td></td>
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<tr>
<td>Unpredictable</td>
<td>Cell 3</td>
<td>Cell 4</td>
<td></td>
</tr>
</tbody>
</table>
Figure 2: conceptual model

- Accounting change
  - New rules
  - New routines
    - Resistance/support
    - Satisfaction employees’s needs
  - Complexity of the change
    - Initial application of new rules
  - Leadership style of managers
  - Management control system

- Satisfaction employees’s needs
  - Resistance/support
  - Initial application of new rules
  - Complexity of the change
  - New routines
  - New rules
  - Accounting change

Figure 3: initiated changes in management control since the change of ownership

<table>
<thead>
<tr>
<th></th>
<th>“Old”</th>
<th>“New”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Position of owners</td>
<td>Dealership managers</td>
<td>Members of the group’s central management team</td>
</tr>
<tr>
<td>2. Scope of individual owners</td>
<td>Integral, within one dealership</td>
<td>Specialized, focussed on one discipline</td>
</tr>
<tr>
<td>3. Organization of dealerships in departments</td>
<td>Different per dealership</td>
<td>Standardized</td>
</tr>
</tbody>
</table>
| 4. Decision-making authorities | Mainly the owners/dealership managers | Split up  
  | |   o Strategy: the owners  
  | |   o Operations: dealership managers |
| 5. Control of primary processes | Implicit, by owners | Based on standards |
| 6. Performance measurement | Mainly financial; information available for owners | Financial and non-financial; broadly available |
In some dealerships the positions of dealership manager and service manager are combined. In the larger dealership, the parts manager has one or a few assistants.