ISSN 2389-8186
E-ISSN 2389-8194
Vol. 3, No. 1
March 2016
doi: http://dx.doi.org/10.16967%2Frpe.v3n1a3

ORIGINAL PAPERS

Strategic Control in a Company of the Leather-Footwear Industry

GERSON SCHARDONG[a]
CARLOS ALBERTO DIEHL[b]

pp. **193-206**

ABSTRACT Management control is the set of processes and tools for the exercise of authority over an organizational phenomenon, which is used in order to achieve organizational goals. We used Simons' Levers of Control model (1995) to evaluate the use of these devices in an organization of the leather-footwear industry. Evaluation was based on four subsystems: beliefs, limits, diagnostic control and interactive control, which are presented and discussed in this paper. This model allows to balance the use of inspiring elements and restrictive elements, thereby seeking to balance the tension between creativity and discipline. Subsequently, a strategic diagnosis is presented by means of a case study of the above mentioned company, which identifies the characteristics of elements from levers of control. Strategic management issues are then found, and alternatives for improvement are proposed. The main results include evidence that the belief system and the interactive control system are balanced, whilst the limit system and the diagnostic control system are deficient, thus exposing management to unnecessary risk due to lack of control. From a practical viewpoint, this study provides alternatives for improvement at the organization studied; from a theoretical stance, this study also contributes to understanding organizational reality in terms of strategic control.

KEYWORDS control, strategy, leather-footwear, Levers of Control.

HISTORY OF THIS PAPER:
The original version of this paper was written in Portuguese. This English version is published in order to reach a wider audience. To cite this paper, please refer to its original version, as follows:

HOW TO CITE THIS ARTICLE?
Schardong, G. & Diehl, C. A. (2016). Controle estratégico em uma empresa do setor coureirocalçadista. *Perspectiva Empresarial*, *3*(1), 77-91. http://dx.doi.org/10.16967%2Frpe.v3n1a3

RECEIVED: September 27, 2015
APPROVED: January 21, 2016

CORRESPONDENCE:
Carlos Alberto Diehl, Av. Unisinos, 950, Sala 5A402d, Cristo Rei – SÃO LEOPOLDO/RS – 93.022-000, Brasil.

a *Specialist (MBA) in Business Management, Member of Schardong Consulting Business Management Ltd. E-mail: schardong@cardona.com.br*

b *Doctor in Production Engineering - Strategic Control Costs, Professor at the Graduate Program in Accounting Sciences at Unisinos. E-mail: carlosadiehl@gmail.com*

ISSN 2389-8186
E-ISSN 2389-8194

Vol. 3, No. 1
March de 2016
doi: http://dx.doi.org/10.16967%2Frpe.v3n1a3

El control estratégico en una empresa de la industria del cuero y del calzado

RESUMEN El control de la gestión es el conjunto de procesos y herramientas para el ejercicio de la autoridad sobre un fenómeno organizacional, el cual se utiliza con el fin de lograr las metas de una organización. Se utilizó el modelo de Palancas de Control de Simons (1995) con el fin de evaluar el uso de estos dispositivos en una organización de la industria del cuero y del calzado. La evaluación se basa en cuatro subsistemas: las creencias, los límites, el control diagnóstico y el control interactivo, los cuales se presentan y discuten en este artículo. Este modelo permite equilibrar el uso de elementos de inspiración y elementos de restricción, buscando con ello equilibrar la tensión entre la creatividad y la disciplina. Seguidamente se presenta un diagnóstico estratégico por medio de un estudio de caso de la empresa anteriormente mencionada, el cual identifica las características de los elementos de las Palancas de Control; de este modo se identifican problemas de gestión estratégica y se proponen alternativas de mejoramiento. Entre los principales resultados se evidencia que el sistema de creencias y el sistema de control interactivo se encuentran en equilibrio, mientras que el sistema de límites y el sistema de control de diagnóstico son deficientes, lo cual expone la gestión a un riesgo innecesario debido a la falta de control. Desde un punto de vista práctico, este estudio proporciona alternativas de mejora en la organización estudiada; desde una posición teórica, este estudio también contribuye a la comprensión de la realidad de la organización en términos de control estratégico.

PALABRAS CLAVE control, estrategia, cuero y calzado, palancas de control.

Controle estratégico em uma empresa do setor coureiro-calçadista

RESUMO Significativa parcela de sucesso da implementação de estratégias passa por sistemas de controles de gestão adequados e dirigidos para o alcance dos objetivos organizacionais. Esses sistemas, voltados à melhoria do desempenho estratégico organizacional, são conhecidos como controles estratégicos. Entre estes, destaca-se o modelo das Alavancas de Controle, de Simons (1995), baseado em quatro subsistemas: crenças, limites, controle diagnóstico e controle interativo, apresentados e discutidos neste artigo. Esse modelo permite balancear o uso de elementos inspiradores e elementos restritivos, que buscam equilibrar a tensão entre criatividade e disciplina. Logo, por meio de um estudo de caso, é apresentado um diagnóstico estratégico de uma empresa da área coureiro-calçadista que tem por base as Alavancas de Controle. São, então, identificados problemas de gestão estratégica e propostas alternativas de melhoria. Entre os principais resultados, evidencia-se que o sistema de crenças e o sistema de controle interativo encontram-se equilibrados, enquanto o sistema de limites e o sistema de controle diagnóstico encontram-se deficientes, e expõem a gestão a riscos desnecessários por falta de controle.

PALAVRAS CHAVE controle, estratégia, coureiro-calçadista, alavancas de controle.

HOW TO CITE THIS PAPER?

CHICAGO:
Schardong, Gerson y Diehl, Carlos Alberto. 2016. "Controle estratégico em uma empresa do setor coureiro-calçadista". *Perspectiva Empresarial* 3(1): 77-91. http://dx.doi.org/10.16967%2Frpe.v3n1a3

MLA:
Schardong, Gerson y Diehl, Carlos Alberto. "Controle estratégico em uma empresa do setor coureiro-calçadista". *Perspectiva Empresarial* 3.1 (2016): 77-91. Digital. http://dx.doi.org/10.16967%2Frpe.v3n1a3

Introduction

Growing competition has required a greater level of accuracy in decisions taken by organizations. This requires a relationship with their environment that leverages the use of its resources in order to increase their effectiveness and therefore their performance.

The relationship between an organization and its environment is configured by its strategy (Mintzberg, Ahlstrand & Lampel, 2000). For these authors, the way in which this relationship effectively deploys in the organization is the achieved strategy; a combination of deliberate strategy and emergent strategy.

With regard to the leather-footwear industry, there have been increasing difficulties to compete in view of competition from products from China, which has significantly increased the intensity of competition (Azeredo, 2008). This sector has grown for several years with the same approach – only used effectively by the Chinese today – low price, low cost (Vieira & Paiva, 2005). In view of the loss of ability to face, on the same basis, the products from China, there is a need to rethink the competition in these organizations and implement changes in its strategic posture which, when implemented, will improve its performance.

According to Anthony & Govindarajan (2002), the success of a strategy depends on the control. For them, the strategic level of control -control strategic-is the key.

Thus, as a result of these considerations, the following question arises: how should strategic control be performed in an organization? To answer it, this paper aims to present a diagnosis of strategic control system of a company's leather-footwear area. For the better understanding of its content, a brief literature review on the topic is initially made. Then we present the company by delimiting historical aspects and to present their characteristics, seeking to identify and analyze their strategic control practices by the model of Simons, Levers of Control (1995).

Literature review

Management Control

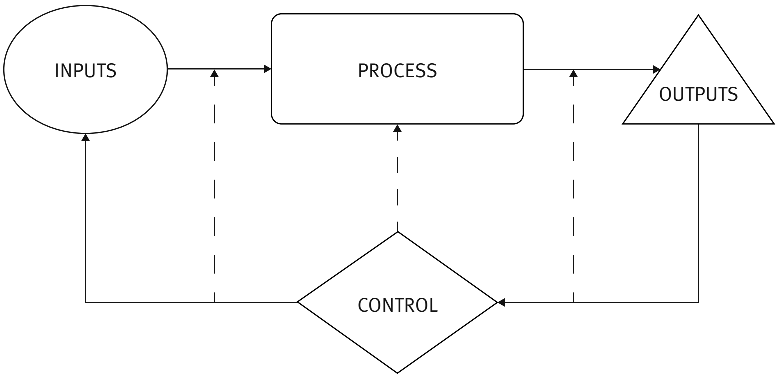
In accordance with Green & Welsh (1988), control is traditionally referred to monitoring the behavior of employees, a regulatory process.

> Control is explicitly recognized as a regulatory process [...] control is a purposeful process [...] fundamentally control is a goals oriented process [...] that is, it regulates the system that the system fills some purpose, conscious or unconscious (Green & Welsh, 1988, p. 289-291, our translation).

> Cyber regulation is used to direct or restrict an activity to ensure that sufficiently resources are flowing (ie, production quotas, time), they should have certain characteristics (i.e., quality control or graduation requirements) and be available when necessary (i.e., project schedule or production) (Green & Welsh, 1988, p. 291, our translation).

The control can also be understood classically as the "exercise of authority over an event or process over time, determining that perform as desired standards and taking the necessary corrective measures if there is a deflection of these standards" (De Queiroz, 2002 , p. 2). Schematically, it can be represented by Figure 1

FIGURE 1. Process control



Source: Diehl (2004).

To set the control of management, we must to make some considerations

> The management control refers to the process that results from the interplay of a number of internal elements (formal and informal) and external to the organization that influence the behavior of individuals who are part of it (Gomes & Salas, 1999).

> [Are] all methods procedures and devices, including management control systems that management uses to ensure compliance with the policies and strategies of the organization (p. 4) [...] Management Control is the process by which management ensures that the organization carries out its strategies [...] Management is primarily a process for motivating and inspiring people to perform organization activities that will further the organization's goal. It is also a process for detecting and correcting unintentional irregularities, such as theft or misuse of resources (Anthony, Dearden & Bedford, 1984, p. 10-11).

> System Management Control: an organized and systematic process and structure that management uses in management control (Anthony et al, 1984, p. 4, our translation).

The control management in a broader view, can be shown schematically as in Figure 2, when connecting the action to strategy.

The management controls involves two categories: the first is about results of controls, indicators that include monitoring, administrative controls and action controls. The second category involves behavioral or social controls, such as values and norms, skills attitudes of selected personnel, design and allocation of work and observation of personal behavior (Cunningham, 1992).

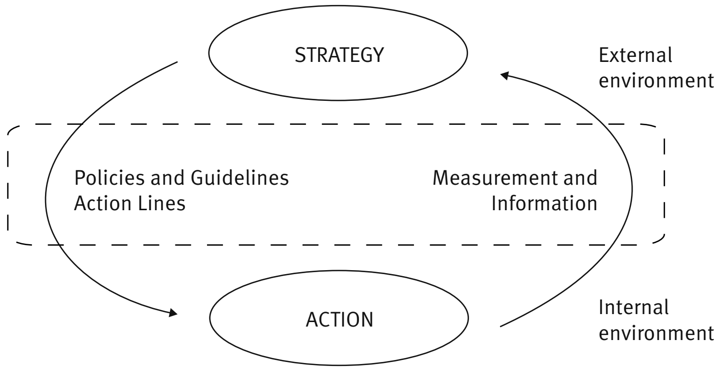
Fisher (1995), from other proposals, suggests that there are two types of controls: a social and behavioral control, which involves the direction of subordinates in their activities, and a cybernetic control, more related to formal aspects (performance measurement vs previously established standards and revenue on variations).

In this work, the management control is defined as the set of formal (and their instruments) and informal processes by which the organization influences the behavior of their way agents to pursue the achievement of its objectives through the use of its resources.

This definition is consistent with the management control model proposed by Simons (1995), which is one of the bases of this article. It is understood that the behavior of organizational actors is the result of both objective and subjective aspects. Management controls are in fact established considering also social and behavioral aspects beyond traditional formal aspects of control (budgets, goals, procedures, etc.), even if it is done unconsciously; that is, executives do not explicitly realize that it is a form of control. Similarly, Fischmann & Zilber (2000) reported that, although the ultimate goal of the company may be the financial performance, its supporting pillars are not economic, such as innovation, productivity and customer service, and they need to be controlled.

The management control can be exercised in three organizational levels: operational, tactical and strategic. Before addressing the latter, which is important to this article, we briefly discuss strategy.

FIGURE 2. Extended Management Control



Source: De Queiroz (2002).

Strategy and Control

Mintzberg et al. (2000) suggest that the realized strategy is the result of a combination of policy options. The model they have to describe it is shown in Figure 3. A strategic option can be designed in a structured process, usually top-down, and ordered its completion. Due to various events, this strategy can be abandoned, at least in part (this is the part of the strategic option not held). The result is effectively deliberate strategy.

At the same time, new strategic options may arise and be called emergent strategies. They originate in experiments on the front line, tactical measures are extended, new options arising from changes in the environment etc. Often they take place at bottom-up. From this summation of emerging strategies with deliberate strategies held strategy results.

In real terms, there will be a mix of deliberate strategies and emerging strategies as " one means zero learning, the other means zero control" (Mintzberg et al., 2000, p. 18). Simons (1995), the two forms must be recognized, monitored and encouraged. Mintzberg et al. (2000) in his well-known proposal, presents ten strategic schools that help to understand how literature deals with these options.

In works that supported the 1995 book (e.g. Langfield-Smith (1997) cites jobs of 1987 and 1990), Simons uses preferably the School of Organizational Configuration, particularly the proposed Strategic Typology of Miles & Snow (1978). The author adopts this school because it is more consistent with the use of control systems to shape the organizational configuration as the business strategy needs. In particular, Simons points out that the diagnostic control systems and interactive control systems are used to recognize and monitor the deliberate and emergent strategies, respectively, hereinafter referred.

Strategic Control System (ECS)

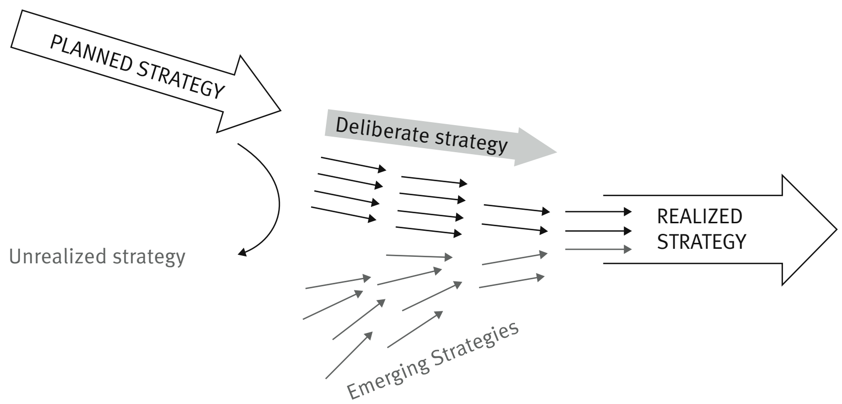
Gomes & Salas (1999, p. 23) state that "the strategic control system is one that is geared to maintaining and improving the company's competitive position." Even taking into consideration the constraints of Mintzberg et al. (2000) in considering the strategy only as a kind of approach -the authors suggest at least ten schools-, it can be said that the strategic control system is geared to the competitiveness of the organization. *Competitiveness can be understood as the organization's ability to achieve a performance that surpasses other participants of their environment*.

> Strategic control system is focused on the strategic goals of the organization. Strategic goals have three key points: focus on the long term, consider the competitive environment and incorporate financial and non-financial goals (Goold & Quinn, 1990).

> Strategic controls may refer to competitive comparisons [*benchmarking*] and non-financial performance measures, as well as long-term results. This has implications for the type of data required (more subjective, more external), the type of analysis (less routine, more concerned about options) and the consequences of the action (less programmable) (Goold & Quinn, 1990, p. 46, our translation).

Strategic control can be seen as an activity to equilibrate the strategic planning and

FIGURE 3. Deliberate strategies and emerging



Source: Mintzberg et al. (2000, p. 19).

to ask if strategic plans are still valid, continuously (Schreyögg & Steinmann, 1987, p. 94, our translation).

The *strategic control systems* are those related to strategic performance of the organization. The level of the relationship and the point from which the systems run to set its operation depends on its proposal. An approach that provides a comprehensive and inclusive vision is the model of Levers of Control (Simons, 1995), then presented and discussed.

Levers of Control - The Simons model

Robert Simons (1995) developed a work establishing a structured system of strategic control (Figure 4). The construction of the strategy starts from the establishment and implementation of four key constructs: *core values; risks to be avoided; strategic uncertainty and critical performance variables.* These are operated through four systems, the *Levers of Control:* systems of beliefs, systems of limits, systems of diagnostic control and systems of interactive control

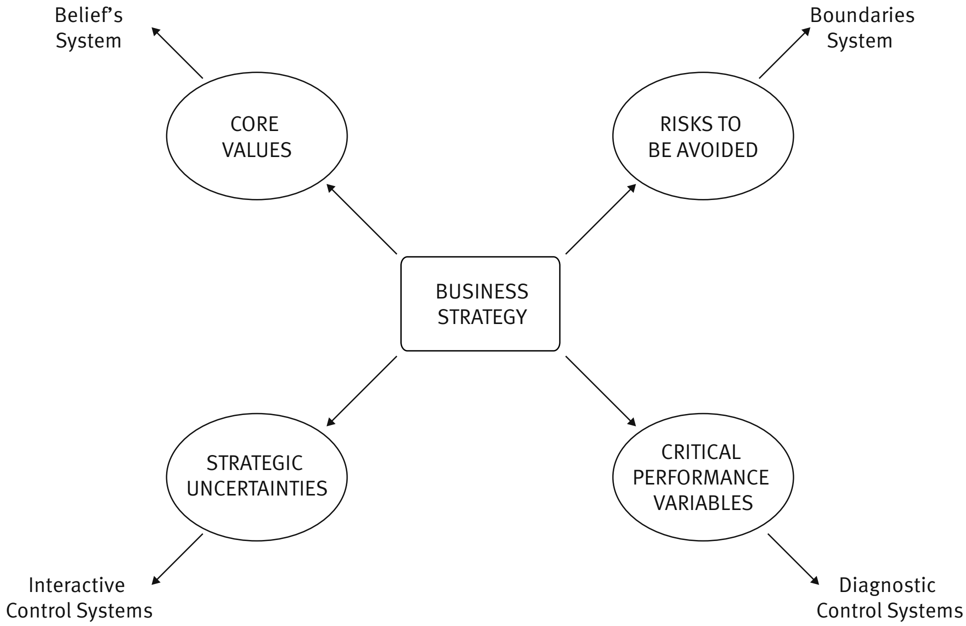
The *system* of *beliefs* is used to inspire and direct the search for new opportunities; the system of limits is used to set limits on the business behavior of organizational actors; the *system of diagnostic control* is used to motivate, monitor and compensate the achievement of specific objectives of agents; Finally, the *system of interactive control*, used to stimulate organizational learning, in order to understand and alert organizational agents about the emergence of new ideas, strategies and opportunities. Next, these levers are best discussed.

The system beliefs is the "philosophical" set of definitions that the organization establishes and delineates its purpose and values. It may consist of mission statements, core values, beliefs, among others. "The system of beliefs is the explicit set of organizational settings that the CEO communicates formally and systematically strengthens to provide basic values, purpose and direction for the organization" (Simons, 1995, p. 34, our translation).

It serves to stimulate and guide organizational agents in the search for opportunities; accordingly, they are positive, affirmative. It has a symbolic sense and can reinforce the commitment of individuals. The commitment will be higher if the values and purposes spread by the organization allow individuals to believe in them. The system of beliefs has inspiring character and must be comprehensive enough to allow people of different organizational situations to identify with them.

The *system of limits* restricts acceptable behaviors to organizational agents; in this view, it

FIGURE 4. Strategic control system



Source: Simons (1995, p 7, our translation.).

is negative, prohibitive. It seeks to establish the boundaries of the opportunities search and minimize or avoid risks. It can take the form of codes of conduct, codes of ethics, rules and sanctions. It can be used to protect organizational secrets, good will and legal complications. Very commonly, systems of limits are established after an ethical incident about close organizations or major scandals. However, there must be a change if environmental conditions change. "In many ways, limits systems are a requirement for organizational freedom and entrepreneurial behavior" (Simons, 1995, p. 41, our translation).

Although apparently contradictory, the system of limits frees decision makers in that it makes clear what behaviors are not tolerated. Often, a system of imprecise limits, undeclared, obstructs the action, given that organizational agents do not have clarity about what possible actions there is to perform. Individuals prefer not act for lack of clear rules. When the rules are unclear, "they [subordinates] quickly learn that principals keep them subject to countless not written rules that can only be determined through of trial and error. The results are uncertainty and reluctance to act (Simons, 1995, p. 53, our translation). "

There are two kinds of limits: *limits of conduct in business and strategic limits*. The first are created when environmental uncertainty is high or when the internal trust is low. They can be represented by codes of conduct that the public accounting organizations (independent auditors) set for its members. Unfortunately, not always avoid misconducts, as demonstrated by the case of Enron´s bankruptcy[1].

Strategic limits are designed to establish which organization's strategic focus are to avoid the dispersion of efforts for the search of profit opportunities in all directions. It aims to prevent the dissipation of financial resources and management attention on those businesses that the organization does not intend to operate.

To be effective, the systems of limits must to establish punishments for offenders. Moreover, these rules should be translated into practice; Executives who ignore the rules or let down in exceed create suspicion if they are actually valid

The *diagnostic control systems* are the formal information systems that managers use to monitoring organizational outcomes and to correct deviations from established standards of performance" (Simons, 1995, p. 59, our translation). They are the so-called traditional systems management control, feedback. They have a restrictive character, in order to avoid deviations. Three characteristics distinguish them: the ability to measure results; the existence of previous standards and the possibility of correcting the deviations. Classic examples: budget, standard cost systems, management by objectives (GPO), business plans, among others.

For monitoring the results or organization outputs, diagnostic control systems are essential to implement required strategies. They will focus on the critical variables of performance, those that guarantee the successful implementation of a desired strategy. As noted by Simons, "different strategies call for different critical variables of performance and different diagnostic control systems" (1995, p. 66, our translation). These variables are derived from the strategic objectives and could be monitored or represented through the Balanced Scorecard (BSC), for example.

Because it is a diagnostic system, it can allow executives to manage by exception. However, at three times the managers are more involved: defining and negotiating goals, getting updates and reports exceptions and tracking significant exceptions.

Internal controls ensure the integrity of the diagnostic system via the control of procedures, balance sheets and internal and external audit. They are critical to ensure that the measurement and recording of information are carried out correctly. Once the system is managed by exception, it should have a high degree of reliability.

Conversely to diagnostic control system, the *system of interactive control* stimulates researching and learning, which can enhance emergent strategies. This system aims to monitor the strategic or environmental uncertainties and those assumptions that in case of change, affect the fundamental assumptions of the strategy. It is operated more subjective and informally through strategic experiences ("trial balloons"), meetings and discussions, following market signals, sharing experiences and perceptions, among others. The first task of a strategic control process is to keep the premises under control (Schreyögg & Steinmann, 1987).

1 US company forced into bankruptcy after was discovered that made fraud in the balance sheets, with the objective, among others, to obtain compensation bonuses.

The intensity and form of use of these systems may vary over time and depends on the strategic location of the organization. In times of crisis, these instruments seem to be more important and more intensive because the organization is in a time of changes and need to redefine guidelines.

Since the interactive control system focuses on monitoring of strategic uncertainty, the system is more designed to evaluate, in strategic terms, the directions taken and not its deviations. In other words, seeks to identify whether the strategic question is correct or not. Thus, the system allows to operate the double loop learning or learning cycle. Metaphorically, the interactive control wants to know if the plan of the building is correct and not the construction of the plant is being well made: "[...] the double-loop learning leads to the question about the basis on which the strategy was built" (Simons, 1995, p. 106, our translation). Strategic control should continually question the basic direction of the strategy (Schreyögg & Steinmann, 1987). As the distinction between diagnosis and control the interactive control is not always clear, is presented below in Table 1, which makes a comparison between them and seeks to clarify the differences.

Balancing the variables

The management controls have positive and negative aspects or stimulating and restrictive aspects. Organizations need to balance their use over time, depending on the context, and throughout the organization itself. Therefore, the intensity and the characteristics of the used controls vary temporally and locally. That is, organizations use different controls on different times, intensities and locations in the organization. "To balance control and learning is critical to manage the tension between efficiency and innovation" (Simons, 1995, p. 21, our translation).

One of the main goals of balancing these controls is to equilibrate the search for opportunities, virtually unlimited, with limited attention that can be given. The creation of value requires management attention by the organization; It requires dedication to this task. To balance the search for opportunities with available consideration maximizes "return on management." This is an important issue in the organization, given that management attention can be its most valuable asset. Due to the large amount of information currently available, the scarcest resource is not information, but the ability to process it (Simon cited by Simons, 1995). A good example is the internet; simply access a search engine to have, in a short time, a large amount of information available; however, how much of this is really relevant?

An important aspect to highlight about discussed controls is that they not are only cyber controls. Cyber control, as defined traditionally, is a process by which corrective actions are taken on a system that aims to correct performance deviations compared with standards (Hofstede, 1978). This definition incorporates the idea that control does not have the characteristic to modify its own performance standards (Green & Welsh, 1988). In this sense, cyber controls only have the corrective cycle (single loop). A more comprehensive proposal control incorporates the possibility of evolutionary or progressive cycles (double learning loop or feed forward).

The Simons proposal has the merit of explaining the concomitant use of formal controls, objectives with socio-behavioral controls; the use of corrective cycles and progressive cycles. The fact that what should be pursued is its proper balance, is also a valuable and relevant idea.

The main management goal is to use the management controls in order to balance the tension between creativity and discipline; between positive forces, creative and negative, restrictive forces. D*iagnostic control systems* and *limits systems act as restrictive,* and *interactive control systems and belief systems,* as stimulants.

Finally, the proposal of Levers of Control is inclusive and comprehensive. Considers both objective aspects, concrete (critical variables - VC) and subjective, abstract aspects (strategic uncertainties, beliefs). It considers practice aspects (VC) and temporally distant aspects (strategic uncertainties, beliefs). It appreciates the effects (limits) and the causes (beliefs); appreciate practical aspects (limits) and theoretical (beliefs, strategic uncertainties). Another advantage is that it is a proposal based on empirical research, rather than on prescriptions; It is as a source more a descriptive than prescriptive bias. The model has been used to treat the same issues related to corporate social responsibility (Arjaliès & Mundy, 2013) and in the public area (Kominis & Dudau, 2012).

Of course, this is not a finished universal model, indeed, the proposal of the author come from the contingency school. But the researcher has the perception of a robust and consistent alternative

TABLE 1. Control diagnosis versus interactive control

	DIAGNOSTIC CONTROL	INTERACTIVE CONTROL
STRATEGY AS ...	TARGET	VISION
Recurring issue	What should do we do to achieve our desired good strategy?	What assumptions or shocks can deviate us from our vision of the future?
Search for	Right answer	Correct question
Focus	Implementation of the proposed strategy	Formation of the emerging strategy
Measures	Critical variables of performance	Etrategic uncertainties
Purpose	Provide motivation and direction to achieve goals	Stimulate dialogue and organizational learning
Attention to	Outputs	Processes
Directed by	Functional analysis (staff)	Perception of the CEO
Goal	No surprises	Creative search
Analytical reasoning	Deductive -flying for instruments	Inductive, sensory -flying by feeling
Complexity	Complex	Simple
Time horizon	Past and present	Present and future
Targets	fixed	Constantly re-estimated
Revenue	Negative	Positive
Adjustments	Inputs or processes	Double learning cycle
Communication	Eliminates need to talk	It provides common language
Role od staff	Key Keepers	Facilitators

Source: Adapted from Simons (1995).

when he studies it, as well as integrated, as it contemplates various features of an organization.

To measure the performance of an organization by means of one or a few indicators, usually of economic field, is at least risky because oversimplifies the complexity of an organization. Thus, the Simons propose (1995) make it appropriate to include various aspects beyond the traditional financial indicators. Moreover, the proposal of the author may be appropriate for more specific uses, such as in Diehl's research (2006), which adapted the Levers of Control model to treat the strategic management (or control) of costs.

Methodological Procedures

The survey was conducted through case study, which is a research approach that has its main application when it is seeking to focus on the *how and / or why* in a theory, instead of *how, when or who* (Yin, 1994). With regard to the strategic control of a social process, the choice of the case study is the most appropriate.

Specifically, in this research semi-structured interviews, documentation review, research files and participant observation were used as techniques of data collection (Roesch, 1999). One of the researchers worked for two years as the organization's executive, with access to the meetings and decisions of the owner as well as the other sources of reference.

The research sources were used (Yin, 1994):

- internal documents (print and electronic) of accounting, controlling and management, websites;
- external documents: advertisings, newspapers, magazines, among others;
- semi-structured interviews with decision makers involved in the focus areas of this research, which addressed issues such as the instruments used to control, the history and evolution of the company, among others. The interviews conducted personally did outcome nine hours of recordings, which were later transcribed and analyzed by content analysis, and had as search categories the systems described by Simons (1995) as control of levers.
- historical records files.

Also to strengthen the data collected by these sources, three principles were stated: multiple sources of evidence, to build a database of case study and maintain a chain of evidence (Yin, 1994).

Were interviewed: the administrative and financial director, the director general (co-owner), responsible for the Research and Development sector (R & D), sales and marketing manager, production manager and production supervisor.

Among the documents that the researcher had access, include: results and balance sheets, when available, production reports, productivity, stock controls and cost spreadsheets. It was also consulted the company's website and reports available in national magazines. At the request of the company, its name was kept secret.

The company - results and analysis

The company is established in a city of Vale do Caí region in the state of Rio Grande do Sul (Brazil); since 1991 it operates in the field of manufacturing of leather goods, more precisely in the manufacture of briefcases, purses, wallets, belts, travel pockets and jackets. Housed in a building with more than two thousand square meters (parent company), it has two branches, one in the same city in which is located the parent company and the other in a neighboring municipality, which produce 22 000 pieces monthly, through the work of about 170 employees.

In the market, in addition to performing with his own brand, provides its experience and production for third parties, such as Arezzo, Colcci, Ellus and Donadelli, among others, which proves the high level of quality and finish of the products it makes.

It manufactures women's and men's fashion in leather goods for the entire national market, and works with a production process that shines by quality and design in their products. In general, the male items (folders and wallets, in addition to jackets and travel pockets) carry the company name, while the feminine items (bags, wallets and belts) are manufactured with a third name and constitute a significant part of the production.

In order to better understand the present diagnosis, it is necessary to permeate the evolution of the company. The project was born small in 1991, with the goal of producing essentially men's wallets and initially had 18 employees occupying a building of 250 m^2. In 1996, it moved to the current building and had 100 employees. In 2001 got two more branches and reached more than 200 employees. At that time, already it had a mix of composite products: handbags, men's briefcases, suitcases, travel pockets, wallets, jackets and belts.

The strong growth of the company happened between 1991 and 2002 is essentially the result of its owner capabilities, notably business wisdom, of R & D and its based management model in interactive control and beliefs systems, although eminently undertaken intuitive and impulsively. This model showed excellent economic results until the second phase of the company since 1996, as inspired and supported its expansion period, although in the following years had a loss of profitability and injury from 2000, which forced the reduction of size of the organization.

Since it was founding until the present stage, the management model hardly evolved and was too much focused on the owner with low skilled labor and supervisors trained in the factory, among all those who distinguished in the production. These do not necessarily have a vocation for leadership or accurate understanding of the responsibilities and implications of their business to the whole result. Said model came reproducing in that the business has grown and, of course, resulted in loss of efficiency since it was difficult to replace good technical workers withdrawn from operation, furthermore they had no qualification or the required profile for the new reality of the company.

The production process is intensive in labor, with almost artisanal production of products, which is a feature of the leather devices sector. The facilities are excellent. The machinery is what is most modern in the segment (few industries in Brazil have the same technology available), and the product has an excellent quality.

The personal and professional profile owner is outstanding and shows as positive aspects a great capacity for product development, interpersonal relationships both with customers (with strong sales aptitude) and suppliers. Moreover, it has a visionary approach, able to identify fashion trends and products that have sales potential. On the other hand, he does not use good management techniques or a more careful planning or any kind of control, aimed at short-term solutions with a centralized profile. He has clearly focused on product development, but not in the organization's management. He moves more because of instinct than by other criteria. Many of these the owner's personal characteristics are present in the company's culture, which directly influences the behavior of employees, that they reproduce.

Beliefs

The system of beliefs is characterized by its informality, without the formal establishment of its mission, values or purposes. However prevails, even implicitly, the continuous search for the intrinsic quality of the product and commitment to research and development, both models as new material. The aim is to always follow or anticipate fashion trends.

The company also seeks to always be leading edge in terms of fashion and production technology both in machinery and production process. The materials used for the manufacture of products are always top quality and the staff strives to manufacture high quality products and perfect finish, which implies higher cost of raw material.

Two reasons justify this: 1. leather used is of superior quality, hence it rises the price paid per unit of input; 2. the search for a better finish product leads to higher waste levels if compared with competitors, which raises cost of input per m^2. As raw materials, especially leather, is one of the company's main cost drivers, this effect is significant in the final cost of the product.

Thus, it is evidenced the symbolisms of product quality and constant innovation. They are important factors in the search for opportunities and the behavior of individuals and serve as inspiration for the doings of the company, based on their purposes and values. This set of beliefs is implemented informally, but is concreted at the practices to be part of their culture and to serve as a guide for their internal and external movements.

Limits

The current system of limits follows a common feature: the informality. The exception are issues related to legislation, such as the environment and some rules governing the behavior of employees; there are no codes of ethics or conduct.

In general, the rules are not clear and they induce subordinates to feelings of uncertainty, resulting in inhibiting their acts or decision-making, given the ambiguity of the degree of freedom that is offered to them. The absence of regulation brings more limits, by curtailing initiatives due to the uncertainty that hangs in the indoor environment, especially in the production, which concentrates 91% of employees. Besides this low internal trust, has also an environmental uncertainty (external) high, due to the unfavorable market aspects, at least momentarily, allowing an adverse organizational climate.

Still, some of the few existing rules are not developed into a common practice, because some employees ignore them (and so are silently allowed), without any punishment, while others get penalties, which generate suspicious about the effectiveness of rules and therefore more uncertainty.

The strategic limits of the Firm are not established and it causes that the company performs depends on the arise (or they imagine) of opportunities, for instance, the manufacture with third-party brand or including jackets and belts in the product mix, which was not happened previously. Also forming partnerships with other companies, which are usually not long lasting and do not imply good business and causes dispersion of financial resources and organizational efforts.

Diagnostic control

The diagnostic control system operates partial or incipiently. The information system is more geared to monitor some indicators or results (costs, revenues, profit, production, productivity) and to correct deviations. Still, its application is recent and does not include all required information. The system is not providing the analysis of feedback, with restrictive character.

The system displays partial connection with the objectives or intended strategies and is not used as a management way, as an analytical tool of the planned strategy and the implemented strategy, with the emphasis that should be observed. Normally, we compare the result with its standard or the previous value, but we not examine whether there is correlation or relevance of this result (or variable) with the business strategy, although this strategy is not formalized. The diagnostic control system, in the same way, is not used as a tool in the search for significant or revolutionary quantum leaps.

Management by exception is not present and there are no audits to verify the reliability of information.

Interactive Control

The interactive control system works very well in the studied company, but only in research and product development, one of its strengths. This area is led by the owner, who has an established "feeling" for the creation or development of products, he knows where to find the needed information (usually abroad) and which of them are suitable for the domestic market (95% of production is placed in this Marketplace). The process of research and product development is operated by a group called *modeling team*, which has its own methodology for these tasks, their freedom degree is quite wide for the creation, usually led and guided by the owner. In this sector, all the "belief" that supports the strongest point of the organization is more present: product differentiation, either by its quality or by innovation. Although the use of interactive control, at least partially, has place in the organization, there is doubts that he is, in fact, related with the propensity to innovation (Gomez-Conde, Lopez-Valeiras, Ripoll-Feliú & Gonzalez-Sanchez, 2013).

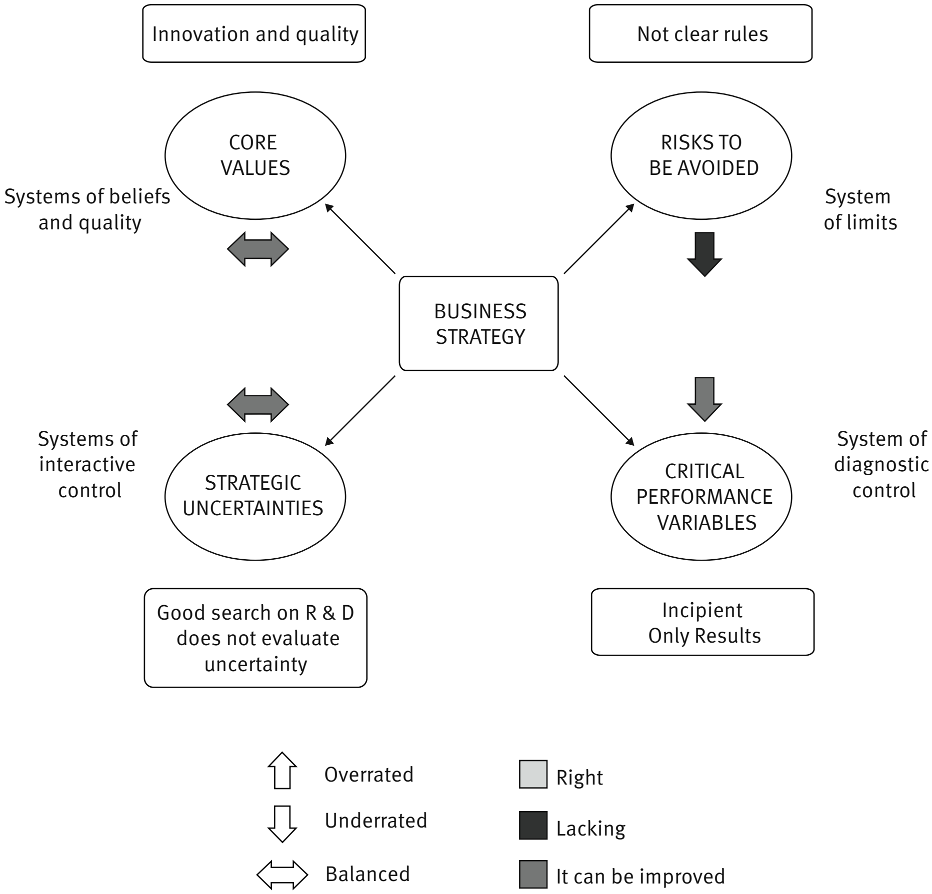
On the issue of strategic uncertainties, changes that can invalidate the current business strategy, there is no a tradition about whether discuss or evaluate, systematically or not, what the possible assumptions or external shocks that could compromise the future vision of the business. Some approaches are held by the management, but end up not being effectively considered because the owner not used to sympathize with that kind of projects. He prefers act more reactive than preventively. This is despite being aware of the difficulty that the company is facing and that much of it is just an outcome of this reactive and short-sighted behavior, and lack of diagnostic control.

Figure 5 below shows a summary of the situation of the levers of control in the company.

Conclusion

The company was born and grew up with a focus on differentiation and products for the male audience (folders and wallets). As the growth was abruptly and, at the same time, the market has

FIGURE 5. Levers of Control Overview in Company



Source: Research findings

become competitive, it also turned to the manufacture of handbags, jackets and belts with third-party brands, as a way to give more efficiency to its installed capacity. Today its configuration is undefined between differentiation and cost. At the same time, the owner did set up other companies, either alone or in partnership, in similar sectors and other different, which may have dispersed efforts and financial resources. This strongly characterizes the lack of focus on business as well as the lack of limits on the exploitation of opportunities.

The company's growth happened unattended by professionalization of management, and its current situation reflects this feature, since the lack of knowledge led to bad regulation (and use) of the inspiration and restriction levers, producing imbalance in their results. The business focused over time primarily in the inspiration levers, instinctively, without attachment to any theoretical orientation, to the detriment of any restriction of action that could balance the business management.

Only when the results began to appear with successive losses has been possible to give greater emphasis on restrictive levers by using indicators and controls. This is requiring a much greater effort to fix the company's direction and / or to recover the balance. As stated Fischmann & Zilber (2000), the performance indicators are essential to strategic control.

The company has greatly advanced over time and grew significantly by focusing only on aspects of inspiration, especially in the lever "beliefs", without making any movement or restriction analysis. This attitude made it runs a long way under this management model, which led the business to loss its of profitability and subsequently to his managerial imbalance. Note, therefore, there were no an appropriate balancing of the levers that support the business strategy, although there may have been unconsciously. This is, there were no switching of emphasis between the levers that focus on the inspiration and the constraint, where always first level has dominated. This fact did not allow the necessary "leveling" of business - inspiration to grow, restriction to consolidate growth, with new inspiration for new growth, now with "breath" refreshed and better conditions of business sustainability and so on. It is evident that the search for opportunities, usually unlimited, was not balanced with restrictive attitudes that should have been observed, with the goal of to balance the tension between creativity and discipline. As noted by Kapu Arachchilage & Smith (2013), using the diagnosis control have a greater moderating effect on the performance than the interactive use.

This study aimed to help in the explanation of the use of levers of control as a diagnostic tool for strategic control. It was possible to identify the main points of improvement for the strategic management of the organization. From them, the company can move towards balancing the levers of control, which, according to Simons (1995), would raise its performance.

Future studies may focus on both proposed solutions to the raised problems and in the investigation of other companies of the same owner or entrepreneurs with the same characteristics, in order to check if the model here founded can reproduce itself. More comprehensive researches, from instruments to quantify, also can help to understand what is the situation of strategic control in Brazil, by using the model of the levers of control.

REFERENCES

Anthony, R. N., Dearden, J. & Bedford, N. M. (1984). *Management Control Systems*. 5 ed. Homewood: Richard D. Irwin.

Anthony, R. N & Govindarajan, V. (2002). *Sistemas de Controle Gerencial*. São Paulo: Atlas.

Arjaliès, D. L. & Mundy, J. (2013). The use of management control systems to manage CSR strategy: A levers of control perspective. *Management Accounting Research*, *24*(4), 284-300. Recuperado de http://doi.org/10.1016/j.mar.2013.06.003

Azeredo, A. J. (2008). *Desempenho econômico-financeiro de indústrias calçadistas brasileiras: uma análise do período de 2000 a 2006* (Dissertação de mestrado). Programa de Pós-graduação em Ciências Contábeis, Universidade do Vale do Rio dos Sinos, Rio Grande do Sul.

Cunningham, G. M. (1992). Management Control and Accounting Systems under Competitive Strategy. *Accounting, Auditing e Accountability Journal*, *5*(2), 85-102.

De Queiroz, A. D. (2002). *Apostila de Curso de Pós-graduação em Nível de Especialização*. Florianópolis: UFSC.

Diehl, C. A. (2004). *Controle estratégico de custos: um modelo referencial avançado* (Tese de doutorado). Programa de Pós-graduação em Engenharia da Produção, Universidade Federal de Santa Catarina, Florianópolis.

Diehl, C. A. (2006). Gestão Estratégica de Custos: identificando o alinhamento estratégico em uma empresa de segurança. *Revista Contabilidade Vista e Revista*, *17*(1 jan./mar), 99-112.

Fischmann, A. A. & Zilber, M. A. (2000). Utilização de indicadores de desempenho para a tomada de decisões estratégicas: um sistema de controle. *Revista de Administração Mackenzie*, *ano 1*(1), 9-25.

Fisher, J. (1995). Contingency-Based Research on Management Control Systems: categorization by level of complexity. *Journal of Accounting Literature*, *14*, 24-53.

Gomes, J. S. & Salas, J. M. A. (1999). *Controle de Gestão — uma abordagem contextual e organizacional*. 2 ed. São Paulo: Atlas.

Gomez-Conde, J., Lopez-Valeiras, E., Ripoll-Feliú, V. M. & Gonzalez-Sanchez, M. B. (2013). El efecto mediador y moderador de la internacionalización en la relación entre los sistemas de control de gestión y el compromiso con la innovación. *Revista de Contabilidad*, *16*(1), 53-65. Recuperado de 10.1016/S1138-4891(13)70006-2

Goold, M & Quinn, J. J. (1990). The Paradox of Strategic Controls. *Strategic Management Journal*, *11*, 43-57.

Green, S. G. & Welsh, M. A. (1988). Cybernetics and Dependence: reframing the control concept. *Academy of Management Review*, *13*(2), 287-301.

Hofstede, G. (1978). The poverty of management control philosophy. *Management control philosophy, 3*(3), 450-461.

Kapu Arachchilage, N. D., & Smith, M. (2013). The effects of the diagnostic and interactive use of management control systems on the strategy-performance relationship. *Journal of Applied Management Accounting Research*, *11*(1), 1-20. Recuperado de http://ezp.waldenulibrary.org/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=89243766&scope=site

Kominis, G. & Dudau, A. I. (2012). Time for interactive control systems in the public sector? The case of the Every Child Matters policy change in England. *Management Accounting Research*, *23*(2), 142-155.

Langfield-Smith, K. (1997). Management Control Systems: a critical review. *Accounting, Organizations and Society*, *22*(2), 207-232.

Miles, R. E. & Snow, C. C. (1978). *Organizational Strategy, Structure, and Process*. Nova York: McGraw-Hill.

Mintzberg, H., Ahlstrand, B. & Lampel, J. (2000). *Safári de Estratégia: um roteiro pela selva do planejamento estratégico*. Porto Alegre: Bookman.

Otley, D. (1999). Performance Management: a framework for management control systems research. *Management Accounting Research*, *10*(nov. 1998), 363-382.

Roesch, S. M. A. (1999*). Projetos de Estágio e de Pesquisa em Administração*. 2 ed. São Paulo: Atlas.

Schreyögg, G. & Steinmann, H. (1987). Strategic Control: a new perspective. *Academy of Management Review*, *12*(1), 91-103.

Simons, R. (1995). *Levers of Control: how managers use innovative control systems do drive strategic renewal*. Boston: Harvard Business School.

Vieira, L. M. & Paiva, E. L. (2005). Strategic changes within global chains: competitive criteria and organizational decisions. Em *Anais do VIII Simpósio de Administração da Produção, Logística e Operações Internacionais — SIMPOI 2005 — FGV-EAESP,* São Paulo.

Yin, R. K. (1994). *Case Study Research: design and methods*. 2 ed. Thousand Oaks: Sage Publications.