

Management control systems in a hybrid organization facing financial problems

- A single case study by
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Abstract

This thesis aims to further increase the knowledge regarding hybrid organizations and their use of management control systems (MCS). Unlike previous research, the aim is to examine a shorter time span and to add insight to the specific use of MCSs and the effect of hybridity when facing an internal financial crisis. The study is conducted by looking at one type of organization that is subject to multiple institutional logics: an elite sports organization.

Based on Malmi & Brown's MCS-package (2008), a theoretical framework has been designed in order to examine the use of in-crisis control systems. Combining this framework with Pache & Santos' (2010) theories regarding organizational responses when facing competing institutional demands, the thesis finds that sports has been heavily prioritized ahead of business. This has played out by an unequal treatment of the two different organizational units where the sports unit's MCSs were almost untouched whereas the business unit had to make heavy cutbacks. The paper's conclusion, as previous research suggests, is that non-profit organizations merely see financials as a mean and are prone to put non-financial goals ahead of financials. Adding on to previous research, this has been found to be true also when examining a shorter time period.

Key words: Management control systems, hybrid organizations, institutional logics, elite sports organization

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1. Introduction	4
1.1 Choice of topic and organization.....	4
1.1.1 <i>Choice of topic</i>	4
1.1.2 <i>Choice of organization</i>	5
1.2 Delimitations.....	6
1.3 Gap in current research.....	6
1.4 The thesis's contribution towards solving the current research gap.....	7
2. Theory	8
2.1 Literature review.....	8
2.1.1 <i>Management control systems</i>	8
2.1.2 <i>Institutional logics</i>	10
2.2 Theoretical framework.....	14
2.3 New theoretical perspective.....	16
3. Method	17
3.1 Research design.....	17
3.1.1 <i>A qualitative approach</i>	17
3.1.2 <i>The single case study</i>	17
3.1.3 <i>Possible objections towards research design</i>	17
3.2 Data collection.....	18
3.2.1 <i>Primary data</i>	18
3.2.2 <i>Secondary data</i>	18
3.3 Data analysis.....	19
3.4 Reliability and validity.....	19
3.4.1 <i>Reliability</i>	19
3.4.2 <i>Validity</i>	20
4. Empirics	21
4.1 Background & context.....	21
4.2 MCS (in crisis).....	22
4.3 Institutional logics.....	27
4.3.1 <i>Sports logics within KHK</i>	28
4.3.2 <i>Business logics within KHK</i>	28
4.3.3 <i>The managing and prioritization of institutional logics when facing a crisis</i>	29
5. Analysis	31
5.1 Adjustments of the MCS during a crisis.....	31
5.2 The hybrid organization and conflicting institutional demands.....	36
5.2.1 <i>Nature of demands</i>	36
5.2.2 <i>Internal representation</i>	37
5.2.3 <i>Organization's response</i>	37
5.3 Summary & discussion of case findings.....	38
6. Conclusion	40
6.1 Contributions.....	40
6.2 Future research.....	41
6.3 Limitations.....	42

1. Introduction

In the first section of this thesis, the reasoning behind the choice of topic and organization will be presented, which leads up to our research question. Once the theme and case object is presented, we will highlight some necessary delimitations of the study in order to align it with the thesis' scope. Thereafter, we review and summarize the previous conducted research within the field in order to ensure that we fill a gap in previous research. How the thesis contribute towards filling this research gap is the final presented part of this section.

1.1 Choice of topic and organization

1.1.1 Choice of topic

Corporate reporting and control is of great importance for most, if not all, organizations. The creation of goal congruence and the strategic plans for reaching these goals are one of the accounting field's most fundamental elements. However, reaching goal congruence is harder for some organizations than for others. This thesis aims to explore the corporate governance and management control within one type of organization that has multiple and perhaps at times competing goals, namely the hybrid organization.

Compared to other organizations, the hybrid ones consist of more than one sector logic and thus, there are potential conflicts but also synergies between the two. This fact makes hybrid organizations on a general level very interesting to study and analyze. The multiple institutional logics included in a hybrid organization will be discussed as a topic for this thesis.

One type of hybrid organizations that manifest the clash between institutional logics very clearly are sports clubs. The fact that one has to reflect before answering how to evaluate the result of a sports organization, whether it's the bottom line of the income statement or the sports results, highlights the organizational challenges and institutional demands that the club is subject to.

The clash within the world of sports has become even more interesting during the last decades as there has been an increased commercialization and a need for a more professional business approach. Even though more and more research is being conducted, sports is still in many ways an unexplored field for accounting research and therefore interesting to study.

This thesis will discuss the use of management control systems within an elite sports organization, as well as the relationship between the different institutional logics that the organization is subject to. On top of this, the MCS and institutional logics will be examined in a somewhat different setting than normal as a shorter time-span will be in focus. Looking at a financial crisis within a hybrid organization we hope to see what happens when matters are brought to a head.

1.1.2 Choice of organization

Considering the abovementioned research topic, finding a suitable case object was necessary in order to carry out the study. The organization that has been identified and will be in focus for this thesis is Karlskrona Hockeyklubb (KHK). The reasoning behind this choice will be presented in this section.

In KHK, the stakeholders' differing interests are highlighted in a very interesting way as it, despite not playing in the top flight prior to the season of 2015/16, is a club with impressive amounts of supporters and strong municipal involvement. KHK is furthermore an interesting team to study as the club has enjoyed rapid promotions during the last years. Even though they have had an interesting journey, the main reason KHK is a suitable case object is not due to the club's history of unexpected promotions and their incurring challenges, but rather because of their pressing financial situation that emerged in December 2013. The club was dangerously close to bankruptcy and had to fight for survival. In fact, the situation was so severe that Rolf Lindberg, at the time active chairman, had an approved bankruptcy petition ready to be filed.

Given that KHK was only days from ceasing to exist, a lot of tough decisions had to be made which brings light to a whole new dimension of the use of management control systems and the interplay between differing logics. The organization is a very interesting case object as the financial threat enlightens the prioritization and adjustments of different parts of the MCS package in a pressing situation. When facing a crisis - how does the organization react?

With this topic and organization in mind, we will focus on answering the following research question:

In a financial crisis, how are the management control systems within an elite sports organization utilized and how does the organization's hybridity affect the club's actions?

1.2 Delimitations

The scope of this thesis will be limited to the men's professional ice hockey team within KHK and the coaches and staff surrounding the senior squad. Furthermore, the thesis includes the board, management team, operations and decisions connected to the men's senior squad. The thesis thus neglects the women's team and the youth teams included within the ice hockey section as well as the top management's work with these teams.

Time-wise, the thesis will mainly focus on the club's financial crisis emerging in December 2013 and the organization's actions and occurring events from that point in time until the summer of 2014 when the worst crisis was dealt with.

The thesis will focus on the use of MCSs and the role of the organization's hybridity during a crisis situation. Some of the reasons behind the crisis and how the hybrid organization works during a more stable environment will be discussed to enrich the reader's knowledge and understanding of this specific case object. However, the main focus will as mentioned be on the crisis handling and decisions taken during the crisis.

1.3 Gap in current research

Accounting research in hybrid organizations is generally scarce, and specifically in the ever growing sports sectors. Previous research in the MCS-segment has mostly focused on how these systems are designed to cope with the particular nature of these hybrid organizations. Thus, the focus in this research field is mostly on the long-run, centred around the multiple sides of a hybrid and how they reach goal congruence between these.

Some previous research have focused on how hybrid organizations can manage the coexistence of competing institutional logics from a management and sociology perspective by the use of MCSs. There is however a general lack of research exploring how the MCSs of a sports

organization are affected in the shorter run. Furthermore, there is generally a scarcity in the analyzing of a shorter time-span in hybrid organizations and how the differing institutional demands are prioritized when crisis situations emerge.

1.4 The thesis's contribution towards solving the current research gap

We solve the gap in previous research by analyzing a hybrid organization facing a crisis and thereby examine how the MCS-processes of such an organization act out in the short-term. Adding on the previous recognition of different logics, we analyze the nature of the hybrid organization and its logics' impact on the alterations of the MCSs.

Sports organizations are still, although more research has been conducted the last years, a rather unexplored area from an accounting perspective. According to Ferkins et al (2005), sports organizations are becoming more and more commercialized, which makes our research more relevant than ever. Adding to what others have written in this area, our paper will improve the possibility to make generalizable conclusions (Yin, 2009). Also, hybrid organizations are in general a quite uncharted research area where we hope that our research of a sports organization will contribute to deeper understandings.

Ergo, contrasting to previous research, we enlighten the actions undertaken when facing a crisis. This, if anytime, is thought as the ultimate exhibit of a hybrid organization's conflict between different institutional logics and their demands. This short-term focus is the key contribution of this paper to solving previous research gap.

2. Theory

This section will go through what has been previously written in the areas of our research. The two areas we will review to answer our question are management control and institutional logics. We start off with presenting research about management control and a framework for analyzing the management control systems in an organization. We then move on to institutional logics, where we will go through literature explaining these logics and their roles in hybrid organizations. In this part we also go through research on conflicting institutional demands and typical responses to these demands. Finally, we develop a framework which will be used for our analysis of KHK's management control systems and discuss how the use of this framework contribute to research and new theoretical perspectives.

2.1 Literature review

2.1.1 Management control systems

There are many different definitions of what management control systems are, starting with Anthony's work from as long ago as 1965. The definition we establish this paper's view on MCSs on comes from Anthony & Govindarajan (2004):

“Management control is the process by which managers influence other members of the organization to implement the organization's strategies.” p. 7

We have chosen this definition since a lot of what has been written in the MCS-area focuses on formal accounting-based control systems, which have been lacking in sports organizations, replaced by more informal controls (Chenhall, 2003). Thus, this view lets us investigate all processes within the organization from an MCS-perspective. Further on, the traditional approach to MCSs are normally not suitable for non-profit organization, and thus we find that a modern, more including, definition is preferred (Hofstede, 1981).

With this definition of what MCSs are, we need a framework to analyze the MCSs evident in the organization. For this we have chosen Malmi & Brown's (2008) breakdown of MCSs made for empirical studies. They present MCSs of five different types: planning, cybernetic controls, reward and compensation controls, administrative controls and finally cultural controls. Since

MCSs are a research area without any absolute truths it is important for a study like ours to establish a framework with which we can analyze our research question.

Presented below is Malmi & Brown's (2008) view of how MCSs are organized.

Cultural controls						
Clans		Values			Symbols	
Planning		Cybernetic controls				Reward and compensation
Long range planning	Action planning	Budgets	Financial measurement systems	Non financial measurement systems	Hybrid measurement systems	
Administrative controls						
Governance structure		Organization structure			Policies and procedures	

Figure 1. Management control systems package (Malmi & Brown, 2008, p. 291)

Using Malmi & Brown's (2008) work as the foundation for this research's view on MCSs, we thus see them as a package. This means, none of the above presented types of control is seen in isolation, but as a dynamic group overlapping each other (Malmi & Brown, 2008). We now move on and present the different parts of Malmi & Brown's (2008) package, with their definitions.

Planning

Planning is the act of setting the organization's goals and expected performance from its members. Planning have previously been seen as a part of budgeting, but Malmi & Brown (2008) takes a broader view, including also non-financial planning activities. In general, planning can be split up in two parts, action planning - relating to the upcoming twelve months, and long-range planning - strategies that persists for more than a year ahead.

Cybernetic controls

These controls are procedures that compare the organization's results to some presupposed ones which gives management the possibility to change if organizational goals seems to be missed. Except for the classic budget, other cybernetic controls falls under the categories as financial-, non-financial- and hybrid measures.

Reward and compensation

The control of rewards in an organization gives management the opportunity to create congruence between employees' motivation and organizational goals. The two types of rewards are extrinsic (monetary) and intrinsic (non-monetary), where the intrinsic ones are seen as more important for non-profit organizations compared to for-profit ones (Gupta & Mitra, 1998).

Administrative controls

Administrative controls refer to controls caused by the structure of the organization and the rules its members have to follow. There are three types of these controls; organization structure, governance structure and policies and procedures.

Cultural controls

Informal controls such as cultural controls have historically been neglected in MCS-studies, but are seen as a crucial part when analyzing a sports organization. Unlike other control systems, the cultural ones are not necessarily controlled by the managers, since these might evolve from any part of the organization. The three different types of cultural controls identified by Malmi & Brown (2008) are value-based, symbol-based and clan control. All three of these are seen as informal controls which develop over time in an organization.

To summarize, regarding accounting theory, the MCS package of Malmi & Brown (2008) is the foundation of our research. In the next section, we will review what has been written in the area of institutional logics before developing a framework with which we will analyze our research question.

2.1.2 Institutional logics

The theory of institutional logics in organizations that has been the most widely used is the one by Friedland & Alford (1991), whose theories aim to explain how organizations create a feeling of cohesiveness with different so called logics. Logics can be seen as various social constellation and have been identified as e.g. corporations, family and the state (Dunn & Jones, 2010).

Wijkström & Einarsson (2006) similarly to Dunn & Jones (2010) suggest that our society

consists of different spheres and sectors; companies, non-profits, households and the public. They then provide a suggestion of how different parts and members of society fit into these spheres.

Research since Friedland & Alford (1991) have been focused more on how the existence of these logics affect the decision making of organizations (Lounsbury et al., 2012). Furthermore, Battilana & Dorado (2010) defines logics as the organization's view of which goals should be strived for and what means should be used to reach them. Since there is little research conducted specifically on logics in an ice hockey club we will, in the next section, review general theories regarding business and sports logics.

Logics of sports and business

Business logic has been called a variety of names in previous research, such as market logic, commercial logic, shareholder value logic, etc. In this paper we will see these as equals and treat it all as what we call business logic.

According to Ewick & Silbey (2002) the business logic is distinguished by organizational focus on things such as profit, value creation and maximizing shareholder value. Reay & Hinnings (2009) emphasize that the backbone of a business logic is doing more with less, ergo generating the maximum results with the least resources. This logic is according to Pache & Santos (2013) best suited for for-profit organizations. Within organizations with business logic, hierarchal control is preferred as it enables control of the operations from the managers, which is their function in this type of organization (Pache & Santos, 2013). To summarize, research conducted on varying business logics suggest that the ultimate goal for these organizations should be to maximize value.

The second logic we are studying, the sports logic, is found to prioritize sports achievement as more important than financial goals (Cooper & Joyce, 2013). There is however still a scarcity of research conducted on the specific sports logics, but it can be seen as a special case of the non-profit logic which places some other goal above the financial ones. This logic, by Jay (2013) called civil society logic, is according to his research characterized by a mission, solidarity and

non-financial goals. Although the non-profit logics does not put financial goals first, the financial performance is still crucial for their survival (Anthony & Young, 1999). Pache & Santos (2013) calls this non-profit logic a social welfare logic. They argue that organizations attached to this logic have one ultimate goal; addressing some local social needs.

As stated above, there is a lack of research regarding the sports logic, however most of the above non-profit logics should be applicable. For example, Pache & Santos’ (2013) theory regarding these organizations goal being “addressing local social needs”, can for sports organizations be seen as providing a venue for performing and watching sports in society.

To summarize what is stated above, we use the theories of Battilana & Dorado (2010), suggesting that a logic is expressed by its goals and means used to reach these. Using this definition we summarize the sports and business logics in the table below.

	Sports Logic	Business Logic
Goals	Sports performance	Financial performance
Means	Competition, solidarity, selflessness, sports skills	Maximizing revenues, cutting costs, satisfying customers

Figure 2. Goals and means of sports and business logic

Now that we have presented literature regarding the two logics that we believe are present in the case object, the next step is to review research regarding hybrid organizations, organizations where more than one institutional logic is present.

Hybrid organizations

Hybrid organizations are becoming increasingly common in society, with many organizations crossing the borders of institutional logics. According to Pache & Santos (2013) these organizations face many difficulties due to the separate demands on the organization. As Battilana & Dorado (2010) stated that the logics represent which goals and means are adequate in the organization, it is understandable that affiliation with different logics leads to complications and potential conflicts.

Pache & Santos' (2010) research addresses this problem and finds the hybrid organizations' actions conditional on two factors. The first one is the nature of the conflicting institutional demands, which can be regarding either the goals or the means of the organization. Since goals are seen as a more immediate expression of the organization's core values, conflicts on this level are perceived as harder to solve than conflicts on a means level. Pache & Santos' (2010) second factor is level of internal representation, ergo if there are any representatives of the logics inside the organization or if it's purely external pressure. They suggest that the degree of internal representation will have an impact on how the clash between logics play out. With more than one logic internally represented, they find it less likely that either demand is neglected. See the table below for a summary of Pache & Santos' (2010) take on hybrid organizations' responses.

Response Determinants		Likelihood of Adoption of Response Strategies			
Nature of Demands	Internal Representation of Demands	Compromise	Avoidance	Defiance	Manipulation
Means	Absence	High	High	Low	Low
	Single	Low	High	High	Low
	Multiple	High (balanced power)	Low	Low	High (unbalanced power)
Goals	Absence	Low	High	High	Low
	Single	Low	High	High	High
	Multiple	Low	Low	Low	High ^a

^a The more balanced the power structure, the higher the likelihood of organizational paralysis or breakup.

Figure 3. A model of responses to conflicting institutional demands (Pache & Santos, 2010, p. 469)

According to Fahlén (2006) sports organizations in Sweden have a history of being non-profit and driven by voluntary forces. However, sports organizations are becoming more and more commercialized and are thus starting to act more similar to companies (Ferkins et al., 2005).

To sum up, all participants in our society belong to some social sphere and act after this sphere's logic. Some organizations, such as sports clubs, act in the borderline between different spheres and thus have to follow more than one logic. Now that we've reviewed institutional logics and MCS-theories, the next section will introduce a framework to analyze the MCSs in crisis. This framework's analysis will later be combined with the theories of institutional logics to answer our research question.

2.2 Theoretical framework

In order to analyze the use and adaption of the MCSs when facing a crisis, the following section will present a framework that have been conducted for this purpose. The framework is based on Malmi & Brown's (2008) MCS-package but includes an additional dimension as the possibility to change the controls have been added. In line with Malmi & Brown (2008), controls of the same type have been merged together as they are deemed to be alike. Organizational structure, governance structure and policies and procedures for example constitute how easy administrative controls are to change rather than a specific examination for each of the controls.

The reasoning behind the framework is that changing some part of the MCS might be desirable, but at the same time impossible, whereas some controls are easier to adjust to fit the emerging situation. In order to analyze and understand which decisions were made, one must also consider which decisions that were possible at the time and the situation that the organization was facing.

The framework is summarized below. It includes the scale easy, medium and hard to change, without any internal ranking between controls falling into the same category.

Type of control	Possibility to change	Comment
Planning	Easy	Performed ex-ante
Cybernetic	Easy	Relevant follow-ups chosen by management
Reward & Compensation	Medium	Included in contracts Easy to add, hard to remove
Administrative	Medium	Structural change needed
Cultural	Hard	Deeply rooted within the organization

Figure 4. Theoretical framework for understanding short-term MCS changes

In order to motivate the scaling, a description of each control's nature will now be presented.

2.2.1 Planning

“Planning is an ex ante form of control.” (Malmi & Brown, 2008, p. 291)

Given that planning is performed ex-ante, changing plans and thereby the goals and standards of the organisation is perceived as a relatively easy thing to do.

2.2.2 Cybernetic control

Green and Welsh (1988) defined cybernetic control as “[...]a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the systems, and modifying the system’s comportment” (p. 289).

As it relates to a feedback loop, neglecting information that is no longer deemed important is very easy to do. Setting new standards, benchmarks and prioritizations can be done, thereby reducing the importance of previous cybernetic controls. Thus, as soon as follow-up is disregarded, previous cybernetic controls collapse. Since this is no big adaption for the organization, the control is seen as easily changeable.

2.2.3 Reward & Compensation

“Reward and compensation systems focus on motivating and increasing the performance of individuals and groups within organisations by achieving congruence between their goals and activities and those of the organisation” Malmi & Brown (2008, p. 293)

Adding additional compensation for the people in the organization is a fairly easy thing to do. However, as the already existing bonuses and rewards are included in contracts, the club is obliged to fulfil these commitments unless something else is negotiated. Thus, given that management can change these reward systems, with some limitations, the possibility to change this control is presumed to be on a medium level.

2.2.4 Administrative controls

“Administrative control systems direct employee behaviour through the organizing of individuals and groups, the monitoring of behaviour and who you make employees accountable to for their behaviour, and the process of specifying how tasks or behaviours are to be performed or not performed.” - Malmi & Brown (2008, p. 293)

Changing who employees are accountable to and their tasks is something that requires the organization's structure to change. In addition, the processes of specifying tasks as well as the monitoring of their behaviour is connected to the current structure of the organization. A change of the organization structure, governance structure and policies and procedures is a major change for any company, yet not impossible for management alone to implement. The possibility to change this control is thus deemed to be on a medium level.

2.2.5 Cultural controls

“Cultural controls are pictured at the top to indicate that they are broad, yet subtle controls. They are assumed to be slow to change, thus, providing a contextual frame for other controls.”
Malmi & Brown (2008, p. 295)

Based on this quote and the very nature of a culture's origin, formed over a long time period and through shared experiences, we assume it to be very hard, in fact the hardest control, to change.

2.3 New theoretical perspective

Our theoretical framework does, as mentioned above, contain the dimension of changeability. By including this, we open up for a discussion regarding time and modification which have not been in focus in previous research. This new perspective is useful as it encourage a more holistic view of the controls and their nature. Furthermore it is useful for anyone looking at situations where the controls are not to be assumed as fixed, but rather as likely to be changed.

By developing this framework, we incorporate additional elements into our accounting research, thus further widening the view of what should be incorporated when investigating the MCS of an organization. This is a step in line with Malmi & Brown's (2008) view of seeing MCSs as a package and taking into consideration all forms of control in the organization working dynamically and simultaneously.

This theoretical perspective and framework will be used in the analysis in section 5. In the next step however, we will present how the research has been conducted and what methods that have been used.

3. Method

In this section, the approach and tools used in order to conduct the study and to answer our research questions will be presented. Introduced first is a general description of the research design. This is followed by a description of the data collection and a data analysis. Thirdly and last is a discussion regarding the reliability and validity of the findings.

3.1 Research design

3.1.1 A qualitative approach

As the thesis aims to bring light to questions such as “How?”, there is a need for a deeper and greater understanding of the structures and processes that a quantitative approach cannot supply (Silverman, 2010). The deeper understanding is rather best obtained through a qualitative approach (Holme & Solvang, 1997). To answer an analytical question as ours, mere numbers cannot be used to gain the same understanding that a qualitative approach can provide. As the sports hybrid organization, and especially such in a crisis, is lacking previous research we have turned to the research of Ghauri & Gronhaug (2005) which suggests that a qualitative approach is useful when taking on an unexplored field of studies.

3.1.2 The single case study

Using the approach of a case study is according to Cassell & Symon (2004) suitable when researching questions of a more complex nature and, as in the case of a crisis, during specific contexts. A single case study gives us a possibility to get a more in-depth knowledge of the specific research object, rather than just touching the surface. This is backed by Dyer & Wilkins (1991) who suggest that a single case study and a broad definition of the case object is suitable to understand the dynamics within an organization. Furthermore, as this is a new field of studies, the research of Yin (2003) proclaims that a single case study is the most suitable method.

3.1.3 Possible objections towards research design

However, some problems regarding the extrapolation of the findings could be highlighted as more cases could give a more generalizable result (Lundahl & Skärvad, 1999). The lack of generalizable results through a case study is further highlighted by Scapens (1990).

3.2 Data collection

3.2.1 Primary data

During the process, several ways of obtaining data have been used, where the primary data source has been interviews. Eight interviews have taken place whereof five were interviews taking place in Karlskrona and three were performed by the use of telephone. Follow-up questions have all been conducted through telephone or e-mail. The use of multiple sources is in line with the proposed means that Yin (2009) presented for obtaining necessary data.

The interviews have as mentioned served as the main source for data collection. It was deemed appropriate in this case as we have been looking at specific events and the decisions that were taken during these. Interviews give a possibility to understand the reasoning behind involved persons' actions, understandings and experiences (Darke et al, 1998). As the thesis aims to bring light to the interplay between differing institutional logics it was of great importance to interview representatives from each logic. Furthermore, external persons and stakeholders have been interviewed, where one of these (CB) have been actively involved in the processes, taking important decisions for KHK's existence. The following individuals have been interviewed:

KHK

- Rolf Lindberg (RL) - Active Chairman (- 26/1 2015), Managing Director (26/1 - present)
- Tobias C. Larsson (TL) - Deputy Chairman (- 26/1 2015), Chairman (26/1 2015- present)
- Calle Höök (CH) - Sales Representative
- Per Hånberg (PH) - Head Coach (25/4 2014 - present)
- Torbjörn Karlsson (TK) - Assistant Coach

External parties:

- Björn Skarpsvärd (BS) - Sports journalist covering KHK at Blekinge Läns Tidning
- Philip Löfgren (PL) - President of the supporters' organization *The Black Bugs*
- Camilla Brunsberg (CB) - Former local government commissioner, Karlskrona kommun

3.2.2 Secondary data

Printed articles, web pages and documents served as secondary data and have been providing input. By using this data, we get closer to an unbiased view of our case object than by just interviewing the people of the organization.

3.3 Data analysis

All interviews were recorded to have the ability to go back and listen again if any doubts occurred regarding quotations. We both took notes and checked these immediately after the interviews in order to summarize the findings and to see whether there was any discrepancies between the perceptions. In order to mitigate personal bias, we were both present at all interviews, as proposed by Voss et al. (2002).

We used a thorough processing proposed by Corley & Giola (2004), sorting the obtained data into themes to get a better overview and easier access of the interviews. Related quotes were grouped together and constituted an internal database.

Unfortunately, the General Manager (GM) during much of the research period, Stefan Bengtzén, was unwilling to give an interview as he has left the club and is now working for another team. It is possible that he could have given us a somewhat different picture of the situation compared to what the conducted interviews provided.

3.4 Reliability and validity

3.4.1 Reliability

If a case study has high reliability, the same conclusions should be able to be drawn if the study is conducted again (Lundahl & Skärvad, 1999). Whether the conclusions are affected by coincidence is thus what's being referred to when discussing reliability (Winter, 1973).

In the case of KHK, none of the authors knew very much about the case objective prior to the study which minimized emotional connections to the club and personal perceptions. However, in order to gain insight before the interviews took place, a substantial amount of news articles were read about the events taking place. In addition to this, an interview with one of the sports journalists writing many of the articles was arranged. There could be some doubts about going into interview sessions with the media's picture of what had happened, however this hopefully unbiased knowledge source could be useful as the club might not want to reveal certain things.

As mentioned in section 3.3 we were not able to speak to the GM at the time, thereby missing some perhaps relevant data. However, given that we have spoken to representatives from both units, we believe that this study will most likely reach the same conclusions as if an interview with Stefan Bengtzén would have been conducted.

3.4.2 Validity

Validity refers to in what extent the study captures its purpose of research (Winter, 1973). Merriam (1994) extends this definition as to how the study is in line with reality and whether the used research tools and design captures its purpose. As suggested by Yin (2009), data triangulation by the use of multiple sources was used. The use of triangulation enabled confirmation, checking and a comparison of the findings. The different data sources consisted of interviews, news articles, web pages and documents. In order to confirm these and our perceptions, questions regarding the same topics were asked during less formal settings. There was also a use of non-formal language so that respondents would feel comfortable and not express themselves in terms they are not fully aware of and comfortable with. In order to make sure that phrasings were correct, follow-up questions such as “Is it correct to assume that what you mean is..?” have been used, as well as the respondents reading quotations prior to publishing to get their approval and avoid misconceptions.

By using the research design presented above, we have collected data that will be presented in the next part of our thesis, the empirics.

4. Empirics

In this section, the case findings and collected data will be presented. A brief description of the case object's history will initially be presented as background. Thereafter, we will describe the context in which the club was operating during the research period and some general important information for the reader. This is followed by a more thorough investigation and presentation of KHK's use of MCSs during the crisis. The final part of the empirics is related to how the institutional logics were manifested within the organization.

4.1 Background & context

Originating from the town Karlskrona located in Blekinge in the south-east of Sweden and founded as late as in 2001, KHK is one of the fastest clubs ever to reach the top division (SHL) in Swedish ice hockey history. The club entered the Division 2 in 2006/2007, the Division 1 in 2008/2009, Hockeyallsvenskan in 2012/2013 and will as a result of their promotion last season play in SHL during the season of 2015/2016.

Due to an unexpected success during the season 2013/2014 that lead up to play-offs and a battle for promotion, financial problems emerged for KHK. This sports-derived overachievement incurred additional costs, which was not evenly matched by incremental revenue streams which in turn triggered liquidity problems. During a press conference at the 21st of April 2014, the club announced that it had no more than 6 000 SEK in cash and all creditors were asked to write down their claims by 70%. Furthermore, the club presented a substantial negative result for the year which led to a situation where the club had a negative equity. Having liquidity problems and a negative equity is not just bad from an organizational view, it is against the financial criteria to retain a so called elite license, the prerequisite to play in both SHL and Hockeyallsvenskan. The financial criteria state that the club should have a stable economy. By this definition, the clubs need to avoid insolvency as well as a negative equity as of the 30th of April for two consecutive years. A more thorough description of the elite license can be found in the **Appendix**.

Without the license, teams are forced to play in a lower division. The focus for the business unit thus became to ensure that the club retained its elite license. As a first step, all creditors agreed to write down their claims, except for Karlskrona municipality, who instead decided to increase their sponsorship from 75 000 SEK to 250 000 SEK per year and put charges for the arena's VIP

sections on hold for two years. These factors played an important role for the survival of KHK, however it would not have been possible without hard work and some crucial managerial decisions. In order to see what they did and what organizational decisions that were taken to manage the situation, we will now present the design and use of KHK's MCSs as well as the institutional logics' interplay at the time.

4.2 MCS (in crisis)

In this part of the empirics we present how the MCSs of KHK looked during the crisis they faced. Their use of MCSs will be presented in line with Malmi & Brown's (2008) package and this part is thus divided into five parts: planning, cybernetic controls, reward and compensation controls, administrative controls and finally cultural controls.

4.2.1 Planning

The action planning for the business unit of KHK during the crisis was centred around the sole task of avoiding bankruptcy by creating short-term liquidity.

"This whole year has meant that one basically daily do an overview of the liquidity." - RL

"We had plans to build a bigger organization, a sales department with people responsible for our restaurant, cafeteria and such, but, it was just to scrap those plans when the revenues didn't come in parity with the investments [...] If we look at the plan then, it was to maximize short-term revenues and minimize costs, in any way that was still humane." - TL

Regarding the long-range planning on the other hand, both Rolf Lindberg and Tobias Larsson stressed that the decision to prioritize sports was a decision made for the organization to thrive in the long run. However, specific planning was lagging behind, quite naturally, since this is primarily the board's responsibility and, as shown by the quote below, they were highly involved in daily operations during the crisis.

"Board work is supposed to be strategic and long-term, but this financial crisis kicked us in the board back into the present business year and we had to work much more operative than we are supposed to." - TL

Talking to representatives of the sports unit about how the crisis affected them and their control systems, it's evident that they have an entirely different view of the crisis and its impact.

“We didn't notice the crisis at all. We could keep going as usual and focus on our next games and it's all because the guys at the headquarters worked their asses off.” - TK

The conclusion that can be made about planning is then that its long-term factor was largely omitted during the crisis. On the other hand, long-term planning is seldom a responsibility for the sports section since their scope is most often focused on the current and possibly next season, whereas the board and top management is expected to be responsible for the long-term. However, as aforementioned this was now offset by their need to step into the organization's daily operations. The action planning on the other hand was, as discussed above, heavily transformed for the business unit's activities, whereas the sports unit, not very affected by the crisis, carried on as usual.

4.2.2 Cybernetic controls

“It was all about survival, and how the outcome was in comparison to the budgets different part, don't get me wrong, but it was quite uninteresting. The interesting part was what the bottom line said. That was the main focus. There was no control like that [cybernetic], no.” - RL

KHK's crisis was evidentially too pressing for the organization to use cybernetic controls during this time. Instead, things that were rarely updated before were now monitored on a day-to-day basis, such as the liquidity which was mentioned in the former section.

During the crisis, the cybernetic controls of the business unit seems to have been practically neglected and focus instead put into surviving on a daily basis. In contrast, the sports unit carried on as before, with the same routines and follow-ups as usual as mentioned by TK in section 4.2.1.

4.2.3 Reward and compensation

In the sports unit, both players and coaches have bonuses related to the hockey team's performance which are included in their contracts. Although having a big financial impact, these

bonuses were not altered during the crisis since KHK's approach was to honour all contracts to be able to attract players in the future as well, when the crisis had been dealt with.

“My work is to sell marketing packages to companies. Last year we moved tables, we went to buy hamburger buns. We did everything under the sun.” - CH

The sales department as well as the sports unit have a bonus related strictly to their own performance, i.e. commission on their sales. In contrast to the sports section though, the work for the sales department altered a lot during the crisis as shown by the quote from Calle Höök above. As half of the business unit was cut, responsibilities for the ones who remained was much wider than before but no new bonuses were awarded for this work. Regarding how the sales team and the administrative staff coped with this extra work during the crisis without extra rewards, Rolf Lindberg expressed how all people working with KHK see an intrinsic bonus with doing so.

“To work in a club like ours doesn't generate the best income or career opportunities and such, but instead there is this heart and feeling for hockey.” – RL

To summarize the role of rewards and compensations in KHK we see that, as the other MCS-elements, the sports unit's bonuses were left untouched, while the sales department's were also in theory untouched but their responsibilities much wider than before. For the rest of the administrative staff, no monetary bonuses existed before the crisis, and neither did they get any new ones with the heavy workload they carried during this time. In fact, the explanation from Rolf Lindberg about the intrinsic bonus of working with KHK seems to be the answer to how the employees keep their commitment despite the precarious situation of the organization. This intrinsic reward will be discussed further in the analysis of cultural controls in the organization.

4.2.4 Administrative controls

Organization structure

The organizational structure during KHK's recent crisis was heavily affected by the decision to cut business staff in half to cope with the financial situation. This led to the members of this unit having to cope with all kinds of tasks, as the quote from Calle Höök in section 4.2.3

describes. On the other hand, our interviewees stressed that the organizational structure of the sports unit was held intact during the crisis, as assistant coach Torbjörn Karlsson put it:

“We in the sports unit actually didn’t notice that much. Since they managed all payments to coaches and players, we weren’t really affected by it.”

During the crisis then, the sports unit looked as before, with the GM being uttermost responsible and head of the coaches who can be seen as middle managers between the GM and the players. On the other hand, the business unit was heavily transformed, leading to unclear definitions of what one’s responsibilities were and were not.

Talking to our interviewees of KHK it became evident that the organizational structure was heavily divided between sports and business, which is displayed in the figure below. Summarily, during their crisis, KHK sacrificed their standard business organization, which became loosely structured and uncontrolled, while keeping the structure of the sports unit intact.

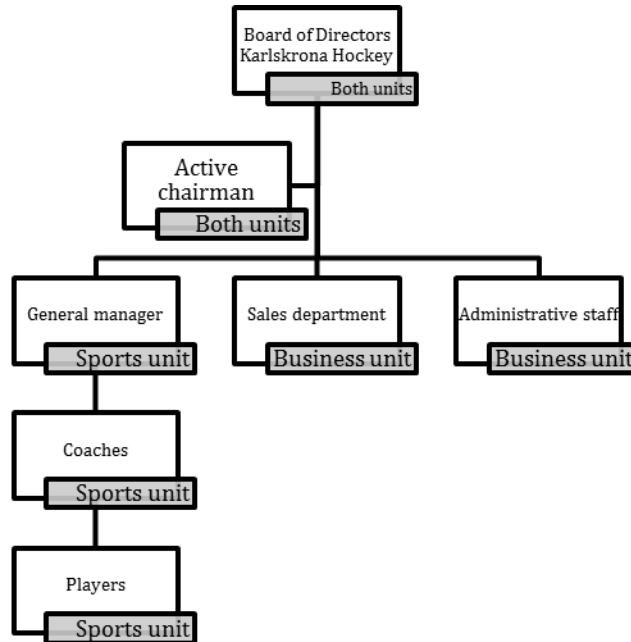


Figure 5. Organizational chart of KHK

Governance structure

Talking to Tobias Larsson it became evident that the governance was not working as usual during the crisis. Instead of having a governing function, he states that the board was actually leading the club's operations.

"It was us in the board that led the operations then."

One example of this is the write downs of creditor claims, a crucial factor for KHK's survival, which was single-handedly dealt with by Rolf Lindberg, at the time active chairman of KHK's board. The crisis thus seems to have the impact of making regular governance structure unfeasible, instead the board went from focusing on long-term strategic goals to being heavily active in day-to-day operations. Half of the business staff was cut, leading to unclear responsibility distribution and all in all, it seems like everybody just had to do whatever they could to save the situation.

Policies and procedures

As aforementioned, the sport side of the organization changed practically nothing despite the financial situation of KHK. Regarding the policies and procedures of the business unit, the usual policies or procedures were not applicable at this time.

"The whole spring was a trip to survival, we had some strategies that supported us, but it was mostly emergency treatment." – RL

To summarize, the administrative controls of KHK during the crisis were affected very differently for the sports respectively the business unit. For the sports side, most things carried on as normal, while the business unit's administrative controls were transformed and practically overlooked. Basically, everybody had to give their utmost in all aspects of the business unit's operations, no matter what their usual roles were.

4.2.5 Cultural controls

As discussed in the literature review, culture is often seen as particularly strong in sports clubs and KHK seems to be no exception. One example of the impact of cultural controls is how the members of an organization work towards the same goal without that goal being outspoken by management. This is exactly what happened during the crisis.

“The goal, to solve the crisis, did not need to be expressed. I think it was quite obvious.” - RL

“It’s people’s will to go beyond their responsibilities that saved the situation.” - CH

The cultural control thus seems to have been immense during the crisis, especially compared to other types of controls which had less impact than before. However, the strong culture seems to be rooted more deeply in KHK than just as a crisis reaction.

“Those who seek job openings with us are people, to a large extent, with big hockey hearts” - RL

Notable about the culture is its sports centred nature, no one talking about culture expresses it as a feeling of belongingness to the headquarters, the business unit or such. In fact, all expression of culture is centred around the sports unit and the men’s senior team.

In conclusion, we see how the MCSs have been transformed vastly for the business unit, but have been left almost untouched for the sports unit. Moving on in the empirics part of this essay, we will now review the institutional logics apparent in the hybrid organization KHK.

4.3 Institutional logics

The present logics within KHK have been identified as the sports unit representing the sports logic and the business unit representing the business logic. These will in a first section be described to give the reader a better picture of how the logics are manifested within the organization on a more general level and during normal circumstances. Once this is done, a description of KHK’s crisis-related decisions regarding the differing logics follows.

4.3.1 Sports logics within KHK

The sports logic of KHK is represented by the players, coaches, GM and supporting staff such as the medical team and material keepers. Even though the board and management decides over both units, they are only seen as representatives of the business logic. The GM has some insight in the business unit's work, however that's not the case for most of the representatives of the sports logic.

"I don't have to, and I shouldn't have to, think about the financial status. There are others much more competent within that area. I run my course, and that's the world of sports." - PH

Regarding the members of the sports unit's interest for the financials, Tobias Larsson puts it as:

"The sports unit have no interest in the financials besides how much they get in their budget. They always want more [in their budget]."

The sports focus is further strengthened by head coach Per Hånberg who states:

"I practically spend a 100 % on sports tasks"

We can tell that the sports unit spend almost all of their time connected to activities that hopefully generate results on the ice. This is done through rigorous preparations and most of the members of the sports unit have their time filled with sports tasks.

4.3.2 Business logics within KHK

The business logic is represented by management, business unit personnel and the board. Their tasks are, in different ways, to win outside of the ice by generating revenues at as low costs as possible. By doing so they will hopefully keep the club on the right track and its financial status stable. If properly done, the sports unit can get the best possible conditions to succeed.

Something that is consistent throughout our interviews is the strong passion for the club that the business personnel is feeling and expressing.

“This is more than a job, you would never put in the work we do outside our working hours for a normal employer” - CH

“There is perhaps too much feelings for the club (...) I don’t think we would have managed the crisis without the strong commitment and loyalty from the staff here.” - RL

Calle Höök describes the current situation as a very segregated organization.

“It’s us up here [at the headquarter] and them down there [on the ice].”

To summarize, the business unit is focused on generating a strong financial result. For the business personnel, an intrinsic value of working with the club is most probably the reason they choose to work with KHK. Even though the sports and business affect each other in a direct way, they seem to be heavily segregated and act on their own.

4.3.3 The managing and prioritization of institutional logics when facing a crisis

When facing the precarious situation, something had to be done. The board was facing the dilemma between selling player contracts (i.e. prioritize the business logic) or firing personnel from the business unit (i.e. prioritize the sports logic). The club chose to do the latter and reduced business unit staff by half in order to keep a strong ice hockey team. The sports logic was in other words prioritized.

“We had it up for discussion [within the board]. After some analyses, we were unanimous though. Given the situation, we believed that we could survive without cutting in the sports budget.” - TL

“It’s our core product, we can’t cut it and still remain trustworthy towards sponsors, players, fans and agents.” - RL

“If we reduce the sports budget we sell our assets but most likely won’t get the same revenues in the future.” - TL

Cutting the business unit in half to keep a strong team proved to be, understandably, tough for the business unit. Their work however gave the sports unit a platform to succeed, which in turn seems to have been a crucial factor for the remaining business personnel's work.

"I think the people up here felt like they had to take too much of the hit" - RL

"If the sports team had not performed so well, we would never have solved the crisis." - RL

Head coach Per Hånberg strengthens the view of the sports unit as basically left untouched, however, the crisis had some impact on their actions during this time period.

"It was a very tough job for the guys at the headquarter, that I know. However, they didn't show any of that to us. We could keep going on without being disturbed. That was very convenient [...] However, we did help out with everything that we could influence to keep our budget, such as not wasting unnecessary money on sticks, materiel and trips" - PH

It seems like giving the sports unit the best possible conditions was natural for most members of the organization. The team is often described as the organization's core product and as Tobias Larsson states:

"After all, we're an ice hockey team. We can't put the financial goals above the sports goals."

To conclude, the decision to prioritize a strong sports team was made. The sports unit did not get an increased budget as might seem appropriate when chasing sports-wise goals, however thanks to the hard work of the business unit, the players and coaches barely noticed the club's financial crisis. This is a big contrast to how it played out in the business unit, but it seems like most members of the organization, both sports and business unit, found this the right way to go.

5. Analysis

This thesis' analysis will be divided into three parts. Firstly, we analyze the use and adjustments of the MCSs which we have identified in the empirics part. To do this we will use our theoretical framework presented earlier, including the dimension of how hard each MCS is to change. In this part, we will review what was done with the MCSs and why and thus hopefully reach some conclusion as to how this helped KHK deal with their crisis. The second part of our analysis will investigate the hybrid nature of KHK and the club's different institutional demands' impact on the situation. Finally, we finish this part with a summary and discussion of our findings which we present before the conclusion of this paper in section 6.

5.1 Adjustments of the MCS during a crisis

In our analysis of the MCS-adjustments, we use the theoretical framework presented in section 2.2. Thus, we will review which and how the MCSs were changed and connect it to the possibility to change said MCS. Focus will be on the change of the MCS and its role in the crisis-handling, how it worked before this period will thus not be discussed more than necessary. In line with the research of Abernethy & Chua (1996), we will see the sports and business units as consisting two individual MCS-entities within the organization's MCS. With this approach we might see some controls that are in fact mutual between the two, as well as some which are completely segregated. Firstly, we will go through each MCS as in the empirics section and then finish with a discussion regarding which changes were found and connect this to our theoretical framework presented in section 2.2.

5.1.1 Planning

Planning is as aforementioned divided into action planning and long-term planning. As found in the empirics, action planning for the business section was shifted from previous plans to an intense focus on cash flow to avoid the imminent risk of bankruptcy. Regarding long-term planning, the decisions taken during the crisis is said to be taken with the KHK's long-term strategic goals in mind, however specific time for this planning was not present during the crisis.

On the other hand, the sports section followed their short-term plans as usual. Although since their long-term goals are supposed to be set by the board and senior management, in this MCS we can see how both units were impaired by the crisis and the focus on short-term cash flows.

However, the decisions made during the crisis were, as mentioned, taken primarily in the best interest of the sports unit. Thus, although detailed long-term planning might have lagged for both, we see how the business unit had to take the suffering for the sports unit to get as good conditions as possible.

5.1.2 Cybernetic controls

Regular cybernetic controls for the business unit basically seems to have vanished during the crisis as there was no one with time to perform these tasks. However, something that beforehand was not regularly watched was now elaborately followed, namely the liquidity.

And quite like planning, the sports unit saw no substantial difference in how they worked during the crisis to before it. Summarizing then, we see that this MCS as well is heavily shrunk for the business unit due to shortage of resources, while left untouched for the sports unit. Cybernetic controls were found to be easy to change in our theoretical framework and this is also what's been found here. Basically we see how the business unit's regular cybernetic controls ceased to exist in favour of working with the dire situation the organization was currently in.

5.1.3 Reward and compensation

The next MCS to be reviewed, reward and compensation, was found to be medium hard to change since bonuses and such are already included in signed contracts, but new ones can be issued without major complications. For this MCS we found that the coaches and players of the sports unit kept their performance-based bonuses in spite of the crisis. The members of the business unit who had bonuses (the sales department) kept theirs as well. However, they instead had a much heavier workload than before.

We also found that there were no new rewards issued related to solving the crisis, instead the intrinsic bonus of working for KHK seemed to be the reason to why the employees put in their heart and soul into this. Interestingly, this is the only apparent bonus for most of the business unit, whereas the sports unit have their performance-based bonuses. However this intrinsic bonus seems to be connected deeply with the sports unit's performance rather than the own unit.

5.1.4 Administrative controls

The administrative controls, identified as medium hard to change were found to change a lot in the business unit, this mainly because of the big downsizing of staff and thus an immense change of the organization's structure and responsibility distribution. The reasoning behind this downsizing were to cut outwards cash flow as quickly as possible, thus cutting payrolls was a harsh but effective way of doing this.

In contrast, the administrative controls of the sports unit were found not to have changed. As stated in the empirics, representatives from this unit said that they barely noticed the crisis in their work. Although representing a, by far, major part of KHK's total payroll the sports unit's structure and organization was left untouched.

We see that the administrative controls were altered not by the purpose to change how the organization worked, but instead with the purpose to save the liquidity of KHK as quickly as possible. However, practically all savings were done at the expense of the business unit.

5.1.5 Cultural controls

Cultural controls, the MCS identified as hardest to change due to its nature of being deeply rooted in the organization, was found in the empirics to be substantial in KHK. The cultural controls seems to be the only MCS that maintained its earlier function during the crisis as well as being responsible for making the remaining staff work harder than before without new rewards and reaching goal congruence within the organization when other MCSs lagged behind.

We also found the cultural controls to be connected to the organization's members' relationship with the hockey team, ergo the sports unit. This is interesting since even though the business unit took the lion's share of the cost-savings, their personal relationships to the sports unit seems to be what made them accept how the situation played out. In many organizations, such changed work conditions would not have been accepted by the staff. However, it seems like people are willing to go the extra mile and perform tasks beyond their duties due to the culture and passion for the club. It seems natural for most people that the sports unit is the core product and that the organization in the end exists to give the players the prerequisites to perform. The strong culture

and eagerness to witness sports success can thus be seen as a fundamental enabler for both the design and acceptance of the in-crisis-MCS as well as the crisis handling in general.

The cultural controls furthermore seems to play a crucial part in the club's governing structure during the crisis. The board was able to take on more operational work and it is reasonable to assume that partially overlooking controls such as measures, reporting and follow-up procedures would not have been possible in most organizations as it would likely decrease the output performed by the employees. This did however not become reality in KHK since trust within the organization was high and the culture ensured strong commitment towards mutual goals.

5.1.6 Summary

In summary, we see how the sports unit kept more or less the same MCSs whereas almost all MCSs on the business side were altered to favour short-term cash flow and putting out fires, instead of acting as the organization did under normal terms. It seems like solving the liquidity problems were the main driver of the design and use of the in-crisis business MCSs. One can say that the business unit in many aspects put previous plans and systems aside in order to work with the daily issues that had to be dealt with. The decision by the club to prioritize keeping a competitive sports unit that was presented in section 4.3.3 seems to have had a large impact on how the MCSs for the units were affected by the crisis.

The main unchanged control is found to be the cultural one, which is in line with what we expected in our theoretical framework. Interestingly cultural controls in sports organizations are tightly linked to the sports unit, which creates a special situation when the business unit is the one that sacrifices the most to save the situation. The cultural controls seems to be very important in the acceptance of the increased workload for the business unit, and might explain why they agreed to the changed conditions. Below is an illustration of our theoretical framework and which MCSs we have found to alter during the crisis.

Type of control	Degree of change	Change
Planning	Sports: Minor	Action plan followed as usual Long-term planning postponed due to board's and senior management's focus on short-term efforts
	Business: Large	Action plan abolished in favour of cash flow focus Long-term planning postponed
Cybernetic	Sports: None	No change
	Business: Large	Put aside due to resource scarcity
Reward and Compensation	Sports: None	No change
	Business: Medium	Same rewards, more work
Administrative	Sports: None	No change
	Business: Large	Major change, staff cut by half and responsibility allocation thus altered vastly
Cultural	Sports: None	No change
	Business: None	No change

Figure 6. Theoretical framework for understanding KHK's short-term MCS changes

The conclusion we can draw from the first part of our analysis is that the MCSs of KHK was altered a lot during the crisis and mostly to a way that made work in the organization more of a burden. However, practically all of these changes struck the business unit of KHK while the sports unit barely noticed the precarious financial situation the organization was in. Planning, cybernetic and administrative controls have experienced a large change within the business unit whereas reward and compensation controls experienced a medium change and cultural controls practically no change. Regarding the sports unit, the only control that has changed is planning where a minor change of the long-term planning took place. To investigate further why this unequal situation arose and how the organization's hybridity influenced the decisions made, we will now move on to the second part of our analysis, where we use organizational theories of hybrids to analyze KHK's crisis handling.

5.2 The hybrid organization and conflicting institutional demands

As stated above, this part of the analysis aims to examine the hybridity's role in KHK's crisis handling. To address this we will use the theories of Pache & Santos (2010) and their framework of hybrid organizations' ways of dealing with conflicting institutional demands. According to them, the organization's actions depends on two factors; the *nature of demand* and the *internal representation* in the organization. These two factors will now be discussed to see if Pache & Santos' (2010) theories can explain KHK's actions.

5.2.1 Nature of demands

The *nature of demand* can according to Pache & Santos (2010) be either a conflict over means or over goals. In KHK's case, we find the main goal for the business unit to be to survive the crisis, however for the sports unit, quite unaffected by the crisis, the goal is to perform sports-wise. Naturally then, the means for the units to reach their goals are different as well. The sports unit needs to train, win games and acquire the best possible squad. In contrast, the business unit's means to solve the crisis is cutbacks and a focus on short-term cash flow. However, another important factor for the business unit to solve the crisis was that the sports team continued to perform in order to keep sports-related revenues.

To summarize then, we see very different goals and means for the two units, but, the sports goal is identified as a crucial factor for the business unit to reach its goal of surviving the crisis. Thus, the two units' goals are somewhat clashing, but this conflict should presumably be seen as one over means rather than goals as the goals are not mutually exclusive, but rather have some synergies between them. See the table below for an illustration of the situation.

	Sports Logic		Business Logic
Goals	Perform sports-wise	Crucial for →	Solve the crisis
Means	Continuously increased resources to the sports team	← Conflict →	Cutbacks and layoffs in both sports and business

Figure 7. Goals and means of KHK's sports and business logic

5.2.2 *Internal representation*

Regarding the *internal representation*, Pache & Santos (2010) defines this as whether or not the institutional demands on the organization have so-called representatives inside the organization or not. There can be either none, single or multiple institutional demands represented. As we have discussed earlier in this essay, the business and sports units are quite distinctly segregated in the organization. Both sides work almost exclusively with members from their own unit and they have little or no insight into the other side of the organization. Thus, one can see the two units and the headquarters respectively the training grounds as representatives and symbols of the two different *institutional demands*.

5.2.3 *Organization's response*

When *nature of demand* is a conflict over both means and goals and there are multiple *institutional demands* represented in the organization, Pache & Santos' (2010) framework (figure 3), suggests that it will turn to the act of *manipulation* to satisfy these demands. However, if seen as a conflict over means instead of both means and goals, as discussed above, and considering the two units as quite balanced in power, then the expected response is *compromise* between the two demands. This is described by Pache & Santos (2010) as:

“An attempt to achieve partial conformity in order to at least partly accommodate all institutional demands” Pache & Santos (2010, p. 463)

Before analyzing the organization's response, the situation in KHK will be summarized. The institutional demand for the business logic on a goals level can, as mentioned when discussing *nature of demands*, be seen as solving the crisis and on a means level as cutbacks and layoffs within both sections. The sports demands on the other hand is to reach the goal of performing sports-wise. To do this they request as much resources as possible to the sports team.

As Pache & Santos (2010) predicts, the club tries to accommodate all institutional demands; KHK tries to perform sports-wise and simultaneously solve the financial crisis. However, the means for reaching both logics' goals are in conflict, thereby leaving the organization with the possibility to only partly accommodate the demands and in a situation where the club is forced to compromise. The situation is presented below.

	Sports Logic	Business Logic
Goals	Perform sports-wise	Solve the club's financial crisis
Means	Continuously increased resources to the sports team	Cutbacks and layoffs in both sports and business
Compromise	No increased resources, but no substantial cutbacks for the sports unit. Increased cost awareness	No cutbacks and layoffs in the sports unit, all savings in the business unit

Figure 8. Organizational response to conflicting institutional demands

To conclude this part of the analysis, none of the units got all their desired resources to reach their individual goals. Rather, we found that the hybridity's role in this situation and the characteristics of the case object led to an organizational response of *compromise*. However, as the financial crisis is within the business logic's responsibilities, they were hit harder by the compromise. The next step in this essay is a summary and discussion of our analysis before moving on to the conclusions of this paper.

5.3 Summary & discussion of case findings

We have now conducted the analyses of both how KHK's MCS was modified during the crisis and how the club's hybridity had an impact on this modification. In this part, we will highlight and discuss the most interesting findings before turning to the paper's conclusions.

Firstly, the organization of our case object is found to consist of two different units, the sports and the business unit, and said units can be seen as representatives for the hybrid's two different institutional logics. These two units are, in line with Abernethy & Chua's (1996) findings, found to be heavily segregated and working as two separate MCS-entities that share practically nothing but the cultural controls associated with the sports team. Thus, when facing a crisis related to an immense lack of resources, it's expected that there will need to be some kind of mediation and prioritization between the two.

In the case of KHK, we found solving this financial crisis to be the main concern for the business unit, while achieving sports success was the most important goal for the sports unit. Thus, when compromising the situation, the hybrid nature of KHK, which previously had given them a distinct segregation between the two units MCSs, now made it possible to modify the two unit's MCSs very differently. Since both units' goals were desirable for KHK, the compromise led to each unit pursuing their goal on their own, without interfering with the other one.

As solving the club's financial crisis was the business unit's goal, they had to take on the heavy cutbacks and layoffs, without this striking the sports unit. On the other hand, the sports unit which had as their goal to perform as well as possible in their competitions got no increased budget for doing so as they had grown accustomed to. However, they still got the best possible conditions given the crisis, since the business unit took on such a heavy burden.

We thereby accredit some explanation value to the mere hybridity of our case object, since we find such a solution with heavily segregated and unequally treated units highly unlikely in a monological organization. At least not without heavy loss of morale in the unprioritized entity.

To answer our research question then, we see how the MCSs, which in nature with the organization's hybridity already are segregated, were modified very differently. This is because, like most hybrid organizations, sports organizations have non-financial goals which are often prioritized over financial ones. Summarily, since financial goals are seen as less prioritized and the organization's two logics are segregated into two units, the less prioritized one is struck much harder during the crisis which we see in the modifications of the MCSs.

6. Conclusion

In this section, we will summarize our conclusions and highlight our contribution to research. Once this is done, we will propose suggested future research and as a final part, shed light on some important limitations of the study.

6.1 Contributions

This thesis purpose was to answer our research question: *In a financial crisis, how are the management control systems within an elite sports organization utilized and how does the organization's hybridity affect the club's actions?* We did this by a two-step analysis. Firstly, we analyzed how the MCSs were modified during KHK's financial crisis. Then, we reviewed how the club's hybridity affected these modifications and the decisions behind them. With this analysis, we came to the conclusion that KHK's MCSs were heavily modified to deal with their financial crisis, however the organization's hybridity led to these changes affecting the units of KHK very differently. The business unit of KHK was struck heavily by cutbacks, layoffs and such, while the sports unit barely noticed the crisis in their work. In line with our theoretical framework, we found the control perceived as the hardest to change, cultural, to be the only one maintaining its structure throughout the crisis. To improve our analysis further we looked to the study of Abernethy & Chua (1996) suggesting that different control sets within an organization could be seen as individual MCS-packages within the larger one. And, as previously mentioned, most changes only affected the business unit while the control systems of the sports unit were practically unaltered, thereby strengthening these theories of individual controls packages within the organization.

By using Malmi & Brown's (2008) package to answer our research question. One of our contributions is finding all of their presented types of controls in KHK, thereby strengthening the validity of their research. As the authors' themselves highlight, cultural controls is a debatable subject as whether or not it should be seen as an MCS. Our findings suggests, in line with Malmi & Brown's (2008), that cultural controls in fact are very important and thus should be treated as a part of the MCS, together with other, more academically recognized, controls.

Furthermore, this study discusses financial and non-financial goals in a sports club and finds sports goals to be deemed as more important. Thereby we contribute by confirming the research

made by Cooper & Joyce (2013) who found this to be the most likely outcome when studying football clubs.

The thesis has been contributing towards increased knowledge regarding organizational responses and goal prioritization within an elite sports organization. The manifestation of an expected compromise within the organization has validated Pache & Santos' (2010) model for organizational responses. Furthermore, it has become clear that non-profit demands, are prioritized above more traditional business demands. This is in line with, and confirms, Pache & Santos' (2013) research from, stating that organizations attached to the *social welfare logic* ultimately have one goal: to address some local social need.

Finally, the study has also found that Anthony & Young's (1999) reasoning about financial performance still being crucial for non-profit organization's survival most definitely is valid as the organization had to deal with the financial issues that arose.

6.2 Future research

We have examined a hybrid organization that faced a very stressing financial situation, however much research is still to be done within this research field. In order to confirm our findings and make them more generalizable, a first step would be for future research to examine additional elite sports organizations facing the threat of bankruptcy. Furthermore, it would be interesting to see how the situation would play out in a larger, perhaps more mature, organization. Even though KHK's financial situation was precarious, future researchers are encouraged to find and examine a case object facing an even tougher financial situation in order to see whether or not the decisions taken would be different.

Additionally, we would be thrilled to see a more quantitative study of hybrid organizations and the effect of their decisions. A conducted study focusing on the chosen prioritization between logics when facing a crisis and the outcome different decisions led to would be interesting to read. How have organization prioritizing non-profit demands historically performed compared to organizations that to a greater extent chose to focus on the business demands? Such a study would not just be useful for the increased research knowledge and insight about hybrid

organizations, it could also be used as a tool and guideline for future organizations experiencing an internal crisis.

6.3 Limitations

In this last section of our paper, we will shed light on some of the limitations of our research and its contributions. Regarding the paper's generalizability, the study we conducted was a single-case one, which means that the responses and results we have found are case-specific and have emerged under these particular circumstances.

Furthermore, our main data type was interviews, which are difficult to replicate due to the changed mind of the interviewee, different settings, and other factors, thus this further lowers the generalizability of the study. Moreover, the interviewees of our paper, internals as well as externals all have certain relationships to KHK and know that the club is a frequent target of news coverage, which might make their answers biased or retained and thereby affecting this paper's conclusions. Nonetheless, we believe to have taken the best possible and most reasonable approach to answer our research question.

List of figures

Figure 1. Management control systems package (Malmi & Brown, 2008, p. 291)

Figure 2. Goals and means of sports and business logic

Figure 3. A model of responses to conflicting institutional demands (Pache & Santos, 2010, p. 469)

Figure 4. Theoretical framework for understanding short-term MCS changes

Figure 5. Organizational chart of KHK

Figure 6. Theoretical framework for understanding KHK's short-term MCS changes

Figure 7. Goals and means of KHK's sports and business logic

Figure 8. Organizational response to conflicting institutional demands

List of interviews

- Tobias C. Larsson, 105 min, 22/4 - 2015
- Rolf Lindberg, 60 min, 22/4 - 2015
- Calle Höök, 55 min, 22/4 - 2015
- Torbjörn Karlsson, 40 min, 22/4 - 2015
- Per Hånberg, 30 min (telephone), 6/5 - 2015
- Camilla Brunsberg, 30 min (telephone), 21/5 - 2015
- Philip Löfgren, 25 min, 21/5 - 2015
- Björn Skarpsvärd, 20 min (telephone), 21/5 - 2015

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Appendix

The elite license

The Swedish Ice Hockey Association (swe. SIF) and The Swedish Hockey League (SHL) have an agreement regarding the elite activities within Swedish ice hockey and the clubs pertaining to SHL and Hockeyallsvenskan. As a part of this agreement, some criteria need to be fulfilled by the participating clubs. They must:

- Have a stable economy
- Have a good organization
- Have a reasonable youth system
- Have an arena with acceptable capacity and quality

If one of these criteria are not met, the club is relegated to a lower division unless there are some special circumstances justifying an exception.

In the case of KHK, the most pressing issues pertained to the financial criteria which thus need to be further explained in order to understand why the crisis emerged.

Have a stable economy

The clubs need to avoid insolvency as well as a negative equity as of the 30th of April for two consecutive years.

- Insolvency: The SIF definition of insolvency implies that the clubs are not being able to rightfully pay their creditors and that this inability is not just temporary. The clubs need to be able to pay their foreseeable expenditures for the next coming season.
- Negative equity: Clubs that are presenting a negative equity must hand in an action plan in order to get a positive equity. If this plan is not deemed unrealistic the club enters a so called control year.