

The Control Mechanisms on the Performance of the Strategic Initiatives Management: Analysis of Critical Sales Process in a Metallurgical Business

¹Clarissa Figueredo Rocha, ¹Luiz Carlos Duclos, ^{1,2}Claudimar Pereira da Veiga,

³Christiane Bischof dos Santos and ¹Ney Augusto Furtado Neves

¹Pontifical Catholic University of Parana (PUCPR), Parana, Brazil

²Federal University of Parana (UFPR), Curitiba, Brazil

³FAE Centro Universitario, Curitiba, Brazil

Abstract: The research aims to diagnose how the mechanisms of control, subdivided into diagnosis and interactive use can influence not only on the reformulation of strategic actions but also the strategic implementation in an organization. These subdivisions were defined by Simons whose work is related to the strategic control and how these can be inserted within a strategic process cycle. A study in a branch of a Brazilian multinational metallurgic was configured. The study focused on the analysis of the company's critical sales process because it is crucial for its sustainable competitiveness. The research was of the documentary type whose primary data were the application of semi-structured interview with the controller of the branch investigated. Content analysis was performed with the help of the Atlas.ti 7.0 Software. The results of this study suggest that the interactive use of controls, based on analyzing strategic uncertainty, associated with the diagnostic use of controls, related with the measurements and evaluation of the performance, stimulates discussion at a strategic level and instigates a monthly review of the sales process which was characterized as dynamic. As differential contributions of this work: the theoretical and empirical model developed has been tested and validated in this company; controls help guide the redesign of organizational strategy reformulation, stimulating the necessary renewal of strategic actions.

Key words: Control process, strategic management, critical business process, actions, sales

INTRODUCTION

The competitiveness of businesses which are increasingly global and the constant changes in the business environment has encouraged companies to seek alternatives to reduce costs and find more dynamic methods of work, requiring more control and management planning with efficiency and effectiveness in carrying out its activities (Veiga *et al.*, 2014). In order for this favorable condition to guide all of the company's processes, it is necessary to adopt mechanisms that enable a holistic and concrete vision of the real managerial situation. In this context, an increasing number of companies are realizing the need to revisit how to execute and manage their critical business processes and how to link them in the strategy management process, adding value to the organization's results.

Control can be understood as mechanisms that accompany the process' efficiency and promote information on the reality of business processes, helping

the manager take decisions based on timely and reliable information. It is evident that the controls have a key role of making the strategy happen, work Kaplan and Norton and evolve (Simons, 1995) in enterprises as they are procedures designed to ensure with reasonable certainty that they are continuously achieving the organizational strategic objectives.

One of the greatest challenges in achieving the desired success of a strategic execution is the adoption of an efficient control process that can measure, monitor, compare and evaluate not only the financial results but also the responsiveness of intangibles factors. The measurement of these factors is multidimensional, combining multiple anticipatory variables that indicate the trend and anticipate the corrective actions required to achieve strategic outcomes. This is how the controls can (re) direct actions, results and efforts (Simons, 1995).

Simons (1995), based on several case studies on the impacts of the controls in the execution and renewal of the

strategy, developed the theoretical model called levers of control which has influenced the studies on strategic controls being used in some quantitative research (Bisbe and Otley, 2004; Ferreira and Otley, 2009; Naranjo-Gil and Hartmann, 2007; Henri, 2006; Widener, 2007) and qualitative research (Kober *et al.*, 2007). The controls help the continuous drive of strategic management in obtaining the desired results (Simons, 1995). Considering that controls are key tools for translation and consequently for a possible successful strategy execution, this study will address the influences of the controls of an organization in its strategy, covering: the formulation, translation and execution of the business strategy through, the analysis of a critical process and possible revisions of the strategic initiatives of this process.

Most studies that analyze the appropriate controls' structure only emphasize its technical or design dimension which include the information characteristics and the techniques employed (Chenhall, 2003). However, few studies examine the controls in terms of use dimension (Simons, 1995), although, it is stated that the success of the control process depends on both its technical sophistication design and the use made of information generated. Studies concerning strategic controls have been characterized by the investigation focused only on the perspective of a multifaceted construct rather than a more integrated outlook (Otley, 1999; Ferreira and Otley, 2009; Malmi and Brown, 2008), generating unclear and conflicting results. This reductionist approach is characterized by exploring controls partially in terms of the considered components of the controls package and in terms of the use of the controls to be analyzed. In this sense, aiming to solve this gap in research, this study promotes an effort to address the controls on its use dimension (Simons, 1995) in a more strategic and broad perspective.

In the literature, there are few Brazilian studies that have examined the control process beyond a traditional dimension focused only to assist the strategic execution and only in evaluating financial results turned to the past. It is also necessary to explore a more proactive and systemic dimension through the use of information generated by controls in reformulating strategies, monitoring tangible assets and intangible assets of critical business' processes. It is expected that this research will be useful for professional practice as the best execution of strategies in companies and as the importance of revision or continuous improvement of critical processes.

Control mechanisms can influence strategic initiatives through, the generation of informational feedback, promoting, through reviews, discussions and operational

reflexions, changes in strategic initiatives and routine practices of processes (Simons, 1995; Kober *et al.*, 2007). The feedbacks will emerge by comparing the results observed with the desired goal. When used interactively, the feedbacks may result in an adjustment of the strategy with its environment (Simons, 1995; Henri, 2006; Naranjo-Gil and Hartmann, 2007) and may help identify problems in the processes and ideas to solve them. It is through, the generation and dissemination of feedbacks, instigated by controls that can highlight the need to make incremental changes or improvements on strategic initiatives. The activation of the controls can lead to (re) directions in the efforts of critical processes to obtain or maintain competitive business advantages. It is through continuous improvement in the strategic actions of the business that the controls may impact organizational performance (Simons, 1995; Kober *et al.*, 2007).

Given these considerations, the necessity of making diagnoses arises to identify whether the organizations use strategic performance indicators in critical processes to measure, evaluate and manage the strategic initiatives of these processes. Given the facts mentioned, the issue raised in this study refers to the following research question: what are the influences of control mechanisms, present in a critical sales process, on the strategic initiatives and performance of such process? to answer this problem, this study aims to: diagnose how control mechanisms can influence both the strategy execution process and the change of strategic initiatives of sales in a metallurgical organization in Curitiba PR.

This study contributes to the research of strategic controls to identify and characterize the implications of the diagnosis and interactive use in the strategic management and to identify the main implications resulting from the inter-relationship between these two control uses. By bringing these contributions, this study can on one hand, allow a deepening of this interrelationship and on the other hand, offer an enrichment of the literature about the controls and their relation with the management of strategic initiatives in organizations. In this research, to explore broadly the controls and their contribution to the management of enterprise strategic actions can contribute to the development of the control theory and also to the application of controls providing relevant elements for the configuration and utilization of controls in organizations.

Literature review: The main results of studies that have found that the controls are tools that can trigger the necessity to review the objectives, the Strategic Performance Indicators-KPIs and strategic

initiatives in order to identify and solve problems to identify and discuss strategic uncertainties and to implement improvements in business processes are presented in this study. It is from these improvements that strategies can be changed in an evolutionary way. These studies allocate the controls in a more dynamic perspective.

Formulation of the strategy: According to Mintzberg to conceptualize strategy, many people identify it as a formal plan, covering objectives and long-term actions but when questioned whether these plans are achieved in their integrity, many of these people become frustrated. It is because the concept of strategy is ever-changing and dynamic (Teece *et al.*, 1997) and it goes beyond the denotation of something that is planned and subsequently is executed. The composition of the strategy can be understood as the combination of deliberate events and emergency elements, perceived in the environment and incorporated into the strategic portfolio. Amongst deliberate and emergent strategies, a manager shapes his decision-making process and determines the conduct of priorities.

Quinn (1978) complements such idea when he states that make strategies are more suitable for the environment than the conception itself. Adopting contingency conditions may lead a company to build and reinvent their strategies according to the scenario and reality faced. Strategies are measured and evaluated frequently so that they are continuously resized and readapted to fit their new contexts (Simons, 1995).

Strategic management directions the follow up of a company's performance dictating the conditions to be achieved and possible adjustments along the way. Managing strategically requires that companies take control of their administrative activities. Along with this control, companies can use learning and continuous improvement tools. These practices differ organizations that actually practice the strategic management because to learn and consequently, change is necessary to evaluate, measure, reflect and criticize the current methods and practices of management.

Making adjustments to the strategic plan is something that tends to be recurring for the survival and competitiveness of organizations. Strategic planning is the predecessor focus to the object of this research the execution of the strategy. The strategic plan is understood as one of the generating factors or intrinsic condition for there to be a formal plan that is translated and operated in critical processes through the help of control mechanisms.

Strategic controls and the strategic process: The mechanisms to efficiently manage a strategy, through the activation of the controls, aims to promote alignment between organizational members and between critical processes with business strategy; translate strategy into more operational terms; measure and evaluate performance in critical processes in order to provide informational feedbacks and interactive feedbacks, offering reflections and debates about the effectiveness of the current strategy (Simons, 1995). It is from the critical and participatory analysis concerning the success or failure of experience gained in strategic execution that is developed, if necessary, reviews on the critical processes, instigating new questions and learning with the purpose of implementing improvements and solving deviations or problems that were indicated in performance evaluations. From procurement of new knowledge and learning, the organization may feel the need to promote changes through incremental improvements in processes where such problems were observed.

Simons (1995) is a pioneer in developing a typology for the use of information resulting from the control mechanisms, classifying it in "diagnostic use" and "interactive use". Although, the dimension of control use is scarcely studied in Brazil with the exception of Silva work, internationally there are empirical studies that explore this construct (Henri, 2006; Widener, 2007; Naranjo-Gil and Hartmann, 2007; Kober *et al.*, 2007). Despite the framework by Simons (1995) which encompasses four sub-processes of control belief, boundary, interactive and diagnostics control for purposes of focus and delimitation of the theme, this study will explore the diagnostic and interactive control sub-processes and their interrelations as it is from these two in particular that can be turned on the strategy management process.

For Simons (1995), the sub-process of diagnostic control generates formal information that managers use to monitor organizational performance and if necessary, correct deviations from the defined standard performance. This sub-process is the traditional use of the controls which is aimed at evaluating the implementation of planned strategies (Simons, 1995). The diagnostic use is focused on the orientation of the leaders when the results are not in accordance to the plans, enabling management by exception based on the comparison of the performance achieved to the budgeted performance.

Several criticisms are made to the diagnosis sub-process, if that reference is made only to measure tangible assets being that this outlook is accounting numbers that reflect only a short-term orientation (Henri, 2006) and are based on past results. The focus of this

sub-process is to achieve the economic results targets even damaging long-term goals. It is argued that this can hinder the process of change and innovation (Henri, 2006). These arguments reinforce the view that in a dynamic environment, the accounting measures, especially those derived from the budget cannot serve as the sole basis for performance evaluation.

As for the interactive sub-process, Simons (1995) states that this is the sub-process of formal information that managers use to personally get involved in decisions of their subordinates activities. Simons (1995) states that the interactive sub-process have the following main aspects: the information about the performance evaluations are interpreted and discussed in regular meetings with superiors, subordinates and peers; this sub-process is a catalyst for an on going challenge and debate about the data, assumptions and action plans and provide information on the effects of strategic uncertainties over the company's strategy. Strategic uncertainties are "emergent threats and opportunities that may invalidate the assumptions on which the current strategy is based" (Simons, 1995). Table 1 summarizes the main differences between the diagnostic and interactive control sub-processes.

The controls are mechanisms which have the ability to not only assist in the process of operation formulated strategy, giving an operational support, through the activation of the diagnosis sub-process. The controls also identify the need to promote evolutionary changes in critical processes for discussion and critical analysis of performance evaluations and of new strategic uncertainties that could hinder the current strategy, through the activation of the interactive subprocess (Simons, 1995). These uncertainties should be analyzed and internalized, continuously in the strategy.

From the study by Simons (1995) and other researchers who corroborated the theoretical framework developed by the researcher it is concluded that the controls take a more interactive and proactive function

and take a more dynamic drapery, being present both in the execution and in the reformulation of the strategy, redirecting the strategy and contributing to the continuous cycle of strategic management. The controls support the process of adaptation, review and resizing of the strategy, mainly by the activation of interactive controls (Henri, 2006) which in turn are interdependent from the performance evaluations made by the diagnostic control, instigating incremental and continuous changes in critical processes and consequently in the strategy (Simons, 1995; Kober *et al.*, 2007; Widener, 2007). This approach can be schematized in Fig. 1 which is a guiding framework of this research.

For delimiting and focus purposes, this study will empirically observe the activation of control mechanism in the translation stage, execution stage and evaluation of performance stage of a sales process considered critical by the company. The study will also examine whether these mechanisms influence the review stage of the sales process and whether controls are capable of triggering new strategic initiatives in this process. Therefore, the study did not cover the step of (re) formulation of the metallurgical business strategy.

As an academic process, it is studied the phenomenon of interactive controls and its implications through the instruments of discussions, communication and strategic learning arising from the experiences gained. The results of past experiences are obtained by the activation of the diagnostic control that aims to put the strategy formulated in action (Simons, 1995). To achieve competitive advantages in the long term, the strategy requires an essential step. This step comprises the process of readjustments of strategic initiatives through, the development of organizational capabilities such as learning. Obtaining new learning can be instigated by the reflections and critical participatory discussions on performance evaluations of critical processes and on the strategic uncertainties, enabling the interactive use of the controls (Simons, 1995).

Table 1: Main differences between the diagnostic use and interactive use of the controls

Dimensions	Diagnostic use	Interactive use
Regarding the attention of top managers	Little; delegate to subordinates	Much; become personally involved
Regarding the strategies	Coordinate and implement planned strategies Control of the strategy as a plan	Instigate and guide emergent strategies Control strategy as a pattern
Regarding the outcome	Correction of deviations or gaps, if necessary Diagnostic feedback Single-loop learning type	Formulation of new questions, initiatives and action plans Changes generation: adaptive improvements in strategy Change the action of critical processes, if needed Feed forward Double loop type of learning
Regarding the scope	Performance evaluation of critical processes Critical variables of performance that need to be measured, evaluated and compared to the goals	Discussion, reflection and internalization of strategic uncertainties Review and reflections of the results obtained in the critical processes in order to improve them
Regarding the frequency of interactions with subordinates	Sporadic dialogue Management by exception	Continuous and intense dialogues Recurring schedule

Adapted from Oyadomari based on Simons (1995)

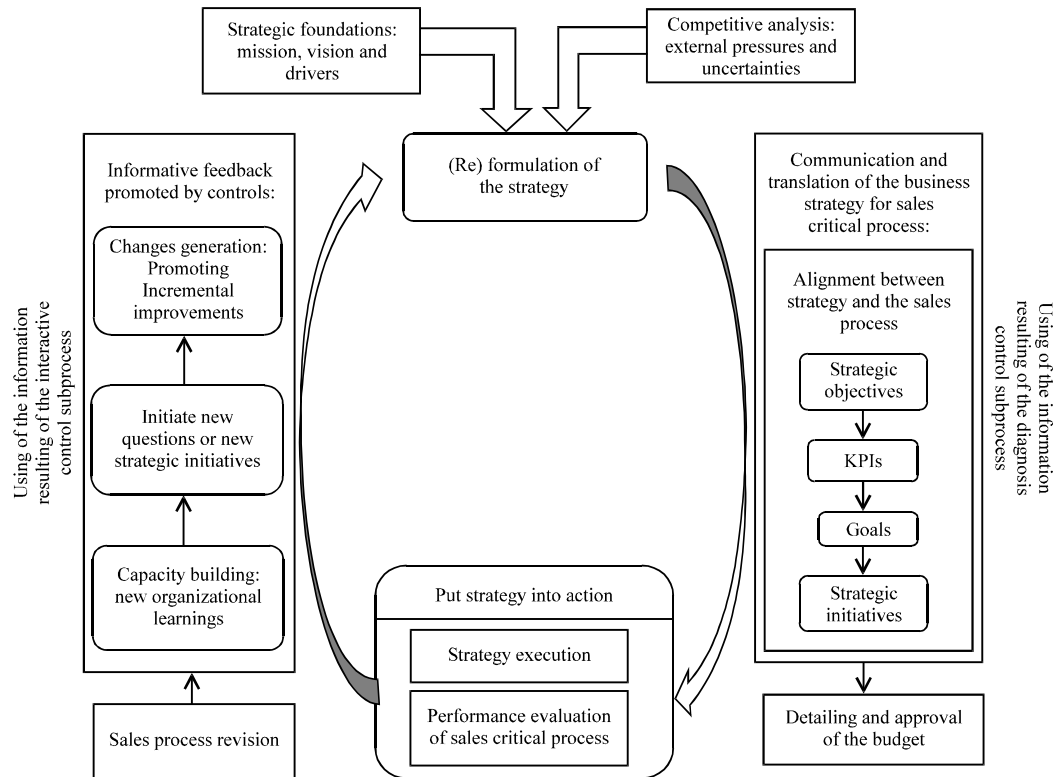


Fig. 1: Theoretical empirical framework of the research

The dealings of strategic learning also known as Double-Loop Learning (Argyris and Schon, 1978) seeks to settle necessary adjustments to achieve the strategic performance and it boosts the new strategy management cycles. It's this learning that evolves the decision-making process, allowing the company to strengthen its strategic management process and enabling the maintenance of competitiveness (Argyris and Schon, 1978). Managing the strategy is to look for information in favor of desired results, it is to quantify and allocate tangible and intangible resources, direct efforts, adjust or readjust the strategic cycle and decide. Controls are tools that stimulate the generation and dissemination of strategic information on the reality of each business process.

Kallas and Coutinho state that strategic control consists in determining to what extent the company's strategies were effective in achieving their goals. If the course is out of expectations, the control function is to interfere and change the company's strategies adjusting the execution process in order to improve the organization's ability to achieve its strategic objectives. The control focus is to establish a communication between the external environment and internal or institutional conditions. Strategic control is the integrated piece between the external environment and internal capabilities and expectations of the company.

MATERIALS AND METHODS

Considering the research objectives aimed at: knowing if the mechanisms of controls can influence the translation, execution and reformulation of strategic initiatives in the sales process of a metallurgical business; describing how the analytical categories under analysis in Fig. 1. Theoretical and empirical model developed by the researcher to be tested and applied in the case study behave in this business and seeking to identify causes and effects of the relations of those categories, this research is classified as descriptive. The research is a qualitative single case study done in a multinational operating in the domestic and international trade of steel and plastic closures for industries. The most appropriate research method in this work is the case study due to the fact that the problematic presented still lacks answers. According to Voss *et al.* (2002), generally, more cases are not added to research when it reaches a theoretical saturation that is when the research questions are satisfactorily answered or when the incremental improvement of new cases data is small.

According to Voss *et al.* (2002), the use of the case study is recommended in some situations, one being an extension of a theory. In this case, this method allows us to see how generalizable the theory is and in which

contexts it applies to aiming at the deepening and validation of empirical results of previous studies. This is a suitable method for this study which aims to understand whether controls can influence the management of the sales process' strategic actions belonging to a Brazilian metallurgical reality.

For delimitation purposes, the sales process elected as critical in this multinational will be analyzed. This process is considered crucial for adding value of products to customers and have direct impact on the performance and competitiveness of the company. The case was studied in a Brazilian multinational of closures, since this company presents a typical case: there is prior information of the existence of certain practices on the mechanisms of formal controls on this critical sales process. The study aims from this delineation to obtain a current diagnosis due to the year 2014 of this process, portraying the practical reality of this metallurgy.

Data collection: As for the secondary sources were analyzed supporting documents provided by the company were analyzed such as: organizational chart to understand the corporate and business structure, booklet about the mission, vision and business values, sales procedure manuals, the balance sheet and income statement, presentation slides and management reports that describe, quantitatively and qualitatively, the performance evaluation of this process and presentation slides of the annual budget plan which is the business strategy. Primary data were obtained through an interview with the controller of this Brazilian multinational, since he is responsible for transmitting information about the critical process under review and its relationship with the business strategy and organizational performance. This interviewed also has information about: the execution of this process; how strategic tools of control are operationalized in this process and what are the strategic indicators used to measure the performance of such process.

Data analysis: The analysis of the data collected in the interview was guided by the theoretical basis and the objectives outlined in the introduction. These interviews were conducted to allow the collection of data for further analysis around the main analytical categories: formulation and translation of strategy, critical sales process, performance evaluation, diagnostic and interactive controls, review of the sales process and business performance. Secondary data were previously analyzed, "summarized" and framed within the script of the interview.

The content analysis technique that consists of message analysis techniques through objective and systematic procedures which can be qualitative or quantitative was used. Those procedures allow inference about the message content. The semi-structured interview was fully recorded and subsequently, transcribed in an integral way for analysis in text documents with the help of Atlas.ti 7.0 Software. With the support of this software, encodings of text fragments judged as relevant were made. These fragments were allocated to the relevant analytical category and therefore, these fragments were linked to the theory exposed. These fragments, grouped in their categories were interpreted for the construction of the study report.

RESULTS AND DISCUSSION

The case study has as object of analysis a regional factory of a Strategic Business Unit (SBU), belonging to the North American multinational corporation that aggregates several different brands allocated into three major divisions: rigid: active in the industrial manufacture of bottles, buckets, drums and steel closures and firm plastic; flexible: manufacture of cardboard containers, plastic film that pack products and timber: for planting trees. These divisions are structured in SBUs divided geographically. However, the only SBU that is not divided this way is the multinational closure under review, since it's the only one that has a global scope to produce seals for other SBUs of the North American corporation considered customers or "Inter-companies". The final product of this closure company is the input or raw material for the production of other SBUs. The factory of this closure multinational in Brazil where the research was conducted, sells industrial closures to seal, safely, thousands of recipients daily such as: drums and buckets of steel, cans and bag in box packages.

This closure multinational has many regional plants, inserted into the Business Unit or BU level who have a limited freedom and autonomy to define their own strategies that materialize in the form of an annual corporate budget. The strategy of this SBU is driven by its North American Corporation. Each regional factory of this SBU rigidly follows the control mechanisms, specifically the techniques of performance measurement and evaluation, dictated by the headquarter of this SBU which is located in the Netherlands. For each factory, there are three main managers: operations, controllership represented by the controller and sales. From the identification of analytical categories, it was initiated the articulation process of these elements in order to interpret

the results. Thus, it was found and analyzed 17 categories related to the category “Performance Evaluation” that was presented as the most important and of higher density. This happened because it is from this category that is activated the process of strategic management. All categories were analyzed through the inspection of network maps, extracted in the network view option, available in Atlas.ti. The interpretation of the relationship between categories, schematized in Fig. 2, occurred by combining two procedures: reading of the interview, more specifically, the relevant passages of the text and visualization of Atlas.ti graphic schemes.

Formulation and translation of strategy of the metallurgical SBU: Due to the fact that the multinational under analysis is a SBU of a North American Corporation, the ultimate purpose of this company is the operating income. More specifically, the strategy of this multinational in the Brazilian subsidiary is grounded in ways to generate the desired profit. This profit is achieved by generating greater efficiencies in the production of its main line of closures, steel, representing a significant portion of its revenues. By the observations of the company’s financial results spread sheet, this line represents 70% of total sales.

This factory is extremely expensive compared to other global manufacturers of steel closures including Indian

and Chinese. There is also another aggravating factor: the product of the Brazilian plant is of the commodity type. It is difficult to compete in this market of large low cost competitors and a product that is difficult to differentiate. The Brazilian subsidiary also competes with other regional subsidiaries of production of the metallurgical SBU which operates a plant in the Netherlands in India and there is a fourth large factory being built in China already in pre-operation phase. When the factory in China starts its operation, the Brazilian factory will have the risk of losing large sales in the steel line. It is from this threat that another strategy was posed to be achieved by the factory in Brazil before the operations of the Chinese factory begin: create independence from steel closure line in order to decrease the risk of losing sales to Chinese competitors.

A third strategy of the Brazilian factory is to create independence of intercompanies transactions, since today most of the sales of this factory is for internal distribution-customers who are part of the same SBU. The factory in Brazil sells to the US factory which does not produce any products of the steel line and simply buys from the Brazilian subsidiary and redistributes to the American market. The Brazilian factory also sells to its domestic consumers which still represents a small slice of the revenue. The US BU represents 40% of the Brazilians BU sales. When the Chinese factory begin to be

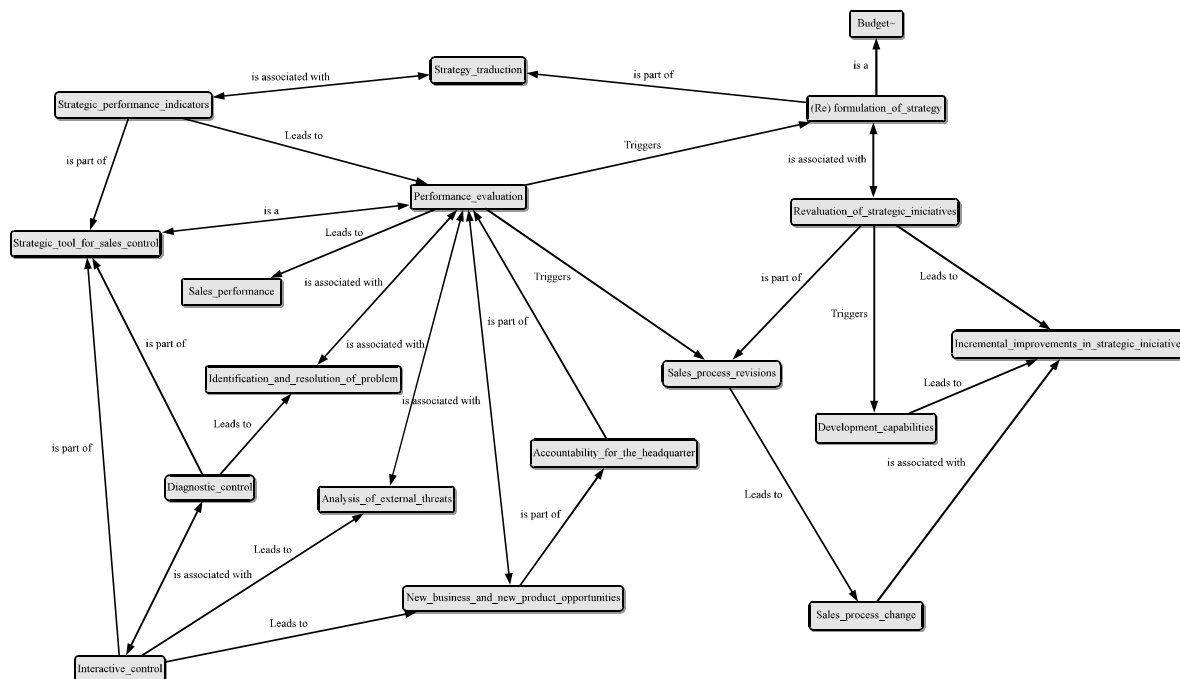


Fig. 2: Research findings regarding the relationship between analytical categories; prepared by the researcher with the help of Atlas.ti 7.0 Software

operationalized in 2 years, the US market will buy only from the Chinese factory because the Chinese produce with much lower costs. The BU Brazil will lose its competitiveness abruptly. For the controller interviewed: “the most urgent strategy to be achieved by the factory in Brazil is to eliminate as much as possible that risk of happening.”

Being that the concept of operating profit within the corporation is extremely strong, the main discussions regarding the (re) formulation of the strategy that is materialized through annual budget plan are: what are the new business opportunities with existing and new customers that can be operationalized in the sales process and what are the opportunities for improvements in terms of cost reduction to be executed in the operational process. These items presented and discussed in the budget were found in the interview and supporting documentation “Budget Plan Presentation” for the year of 2014.

This documentation contains a large list of potential opportunities for new business, called funnel which will be for the next year, managed and monitored monthly. In this listing, the BU Brazil will choose the most viable and possible opportunities to be operationalized which will deliver greater chance of effecting new sales and will have greater chances of reducing the costs of operation. Therefore, the company will be narrowing its opportunities list. The following year, it is presented monthly to the top managers of the metallurgical SBU headquarter, the status of each opportunity chosen, explaining how and why each opportunity was performed or not.

The third point discussed in the budget is the CAPEX or Capital Expenditure which is the “investment budget”. In the SBU under review, the budget for next year will not be a repetition of what happened in the past. To be operationalized the new opportunities in terms of new business with existing or potential clients or in terms of reducing operating costs should allocate capital resources to make this opportunity materialize. For the controller: “to increase revenues and to reduce expenses and costs, it is necessary to accomplish smart investments”. This is how the three processes elected as critical-operational, sales and financial are interrelated.

Those responsible for approving or not the allocation of capital to operationalize opportunities are the top managers of the headquarter of this SBU. These top managers have the authority to vet or not the opportunities in each regional factory. By analyzing the budget documentation for 2014 it is presented all of the expectations and projections expected to be consolidated

and managed in the following year. The content of all points to be discussed in the budget is decided by the top managers of the headquarter of the metallurgical SBU. These top managers define what should or should not be presented, discussed and approved in the budget plan.

The budget also presents a simplified extract of what is expected in financial terms of the BU Brazil for the following year. These expectations are negotiated between the managers of this BU and the top managers of the headquarter. The factory in Brazil presents what it proposes to deliver or offer for the following year. This extract follows at the following slides in a more detailed manner in terms of business processes. It was found that the budget is justified, objectively with all points being considered strategic for each critical process: in each of these processes it is presented which are the statements or strategic assumptions that should be pursued and consolidated the following year. For each assumption action plans are linked or initiatives to be operationalized.

These assumptions and strategic actions are the ones that the company will define how and where it will grow and develop for the following year. In the sales assumptions it is presented and explained how the Brazilian BU proposes to increase revenue and sales volume by product line. This BU will increase these tangible aspects through: new market segments attacks; obtaining new business with potential customers; the development of new lines of closures and new products to existing customers. The way the budget is structured it is perceived that this is not only a reflection of the strategy but also a tool that translates the metallurgical business strategy in more specific terms, breaking down the strategy in terms of critical processes.

The critical process of sales and the diagnostic and interactive use of controls:

The strategic commercial objective of the Brazilian BU is not simply to maximize revenue but know where there are allocation opportunities of its resources in a more assertive way in order to meet the specific features of potential customers. This BU in its sales process, focuses its energies and efforts on what the company believes that will ensure higher revenues and independence. The current strategy of Brazil’s factory sits in obtaining greater independence in the steel line and more independence of the intercompany customer US factory.

The objective of the sales process is to satisfy, continuously, existing customers and develop new relationships with new Brazilian clients that are not part of the metallurgical SBU. The BU Brazil, through this process has been developing and customizing new solutions in

closures, mainly in the plastic line since, the company does not want to lose more effort developing the line of steel closures. This company knows that within 2 years, it will lose this line when the factory of China BU begin to operate. This is how, through the help of the sales process, the Brazilian factory seeks to meet the strategic objectives of its business. Thus, the sales objectives are aligned with the strategic objectives of the Brazil BU. It is through, the objectives of the sales process that can be seen why this process is considered critical to the business of the BU Brazil. The company relies heavily in this process for its business to remain profitably in the long term.

The initiatives considered strategic of the sales process are guided by the strategic goal of this process: actions aimed to strengthen direct relationships channels with domestic customers outside the SBU metallurgical and outside the American Corporation and actions in developing closures solutions packages in lines other than the steel one. These actions aim to increase revenue and minimize the degree of dependence of steel and on intercompany customers.

It is from the budget that the SBU metallurgical makes alignment between the strategic financial results in terms of operating a profit to be achieved and the assumptions and strategic initiatives of each critical business process. With the monitoring and evaluation of strategic initiatives of critical processes, the following year a predefined strategic plan will be carried out in the budget. In the sales process, the monthly performance evaluations happen through a presentation prepared by the sales manager and through a discussion between the sales manager and the top managers general manager and president of the headquarter of this SBU. This discussion is carried out through a conference call. This presentation slide is called MSO (Monthly Sales Outlook) whose objective is to present, objectively, all the performance results obtained in sales.

In these slides, it is promoted an effort to confront sales results expected by the budget and the real result observed in that month. In these confrontations it is possible to identify the deviations or problems and the MSO presents the possible actions to solve them, promoting specific improvements in the sales process. The MSO forces the company to make a critical analysis of their problems. In the controller interviewee words: "the analysis of the deviations enables us to draw new action plans, new alternatives and new directions to improve sales." It has been found that the company makes use of diagnostic controls with the objective, through feedbacks of performance evaluations, of identifying possible occurrence of deviations and take corrective measures to solve them.

The MSO report, therefore, represents the follow-up or monthly review of the budget in terms of sales. The MSO also represents the strong policy of accountability imposed on the Brazilian BU to its headquarter: everything that was performed each month must be presented and justified to the metallurgical headquarter. The content of the MSO is once again, the diagnostic use of the controls in the Brazil BU that aims to evaluate the past result for the previous month, representing the execution of the strategy previously planned by the budget. The MSO content also represents, clearly, the obedience to laws, commandments and strategic guidelines established in advance by the headquarter.

It has been found that there are four KPIs that measure the sales process: indicator for the total revenue of the month confrontation between real revenue and expected revenue by the budget; indicator for the amount of products sold sales volume per line or family of products; indicator called "Top 10 Customer Overview" that shows the performance of the top ten customers, both domestically and from corporate customers. The objective of this indicator is to identify and analyze the behavior in terms of purchase of the ten largest customers of the SBU under review and indicator called "Opportunities Overview" to measure and evaluate the new opportunities available for existing customers development of new products and the new opportunities available of new business with potential customers. This indicator allows the production of a map of possible opportunities available and it enables these opportunities to be concretized in subsequent months. This map presents possibilities for the company to increase even further its revenues. It was found that this SBU makes use of external strategic indicators, aimed to identify, analyze and internalize opportunities arriving through current and potential customers. These indicators are responsible for monitoring and evaluating possible changes in the external environment that arrive, mainly, through the customers. For this reason, it was found that the company makes use of interactive control.

The analysis of the indicator "Top 10 Customer Overview" is also linked to interactive use of the controls because it enables the company for instance to identify which client per month is essential and that for some reason, the company is losing such client. This analysis instigates the Brazil BU to make questionings about why the company is losing that customer. These questionings of strategic uncertainty possible loss of a major customer and also other questionings about others points of the performance evaluations occur only at a strategic level: between the sales manager of the Brazil BU and top managers of its headquarter. It is also analyzed which are

from the largest customers those who are buying more than expected in order to later question why they are buying this way. The fact that the company is committed to meeting the satisfaction of its main customers, the company is obliged to analyze and justify any deviation of their behavior monthly. The whole evolution of the behavior of key customers and their buying variations must be justified to the headquarter.

The source of information obtained to present the MSO report is called sales force which is considered a strategic tool or software of sales that collects and analyzes data considered strategic that permeate the sales process. The sales force has the function of making transparent and available all the relevant results of sales activities. The performance results obtained by the activation of the four KPIs are first calculated by the supervisor and by the sales staff with the help of Sales Force Software and subsequently, the sales manager extracts, each month, these results and allocate in the appropriate slides of the MSO presentation. What feeds the MSO report is the information obtained and calculated by the sales force. Hence, it is in this software that occurs the activation of sales KPIs.

Additionally, it appears at the end of the MSO presentation, a schedule of the future visits to customers which are the next steps for the next month. The schedule of visits sales initiatives for the next month should be presented because it is also an item asked by the headquarter. It also consists on the last part of the MSO presentation, a list which its name is "Top issues and ideas for discussion" where it is raised and discussed all market threats such as the entry of new competitors, the increase in market share of existing competitors, the new requirements of current customers, identified each month.

The content of the MSO forces the Brazil BU to do the analysis that the headquarter wants to analyze. The headquarter requires that its subsidiaries present results directly linked to the budget. Hence, the entire content of the MSO is strategic. The budget is "put into action" by measuring these four KPIs that are subsequently evaluated and discussed monthly in the MSO. By the KPIs chosen and the way they are presented, evaluated and discussed, it was verified the balance and the relationship between diagnosis and interactive use of the controls in the Brazil BU.

The sales process has diagnostic control mechanisms in order to ensure that the Brazil BU is delivering the commitment made in the budget plan. These mechanisms ensure that the company is applying, continually, actions to achieve the strategic assumptions of the budget and is carrying out those opportunities that were promised to be implemented when presenting the budget

to the headquarter. The diagnostic use ensures that the company is not losing those business opportunities.

It is through, the analysis and constant monitoring of the market in terms of new opportunities and threats strategic uncertainties that it is evaluated if the strategic initiatives of sales are still relevant. This evaluation is made by the interactive use. Hence, the strategic nature of control mechanisms can be seen. It is through, the activation of control mechanisms performance measurement by the sales force and its subsequent review in the MSO that the Brazil BU will guarantee that its sales actions will be guided to achieve the strategic assumptions of sales and strategic financial results in terms of sales previously established by the budget.

The sales process review: The fact that the MSO report is monthly causes the headquarter to force the Brazilian industry to re-evaluate their sales efforts, consequently forcing this industry to draw new alternatives or new initiatives, if necessary, so that the Brazilian subsidiary does not get away from the premises and strategic sales goals outlined in the budget. It is through, the activation of the KPIs that the Brazil BU: will operate new strategic initiatives of sales in order to resolve performance gaps will operate viable business opportunities and will minimize the impact of market threats identified. Control mechanisms, more specifically the use of diagnostic controls and mainly, interactive, instigate periodic reviews in the sales process, readjusting the strategic actions in this process. These KPIs together will suggest or point out if the strategy of the Brazilian industry is working or if the strategy is in the right direction desired by the budget.

For the Brazil BU, the control process is considered stable, since the controls activate the same performance measurement mechanisms. The KPIs do not change. The aspects will always be measured the same way. The repetitive and static nature of the controls ensure transparency and consistency, so that the control will prove to be useful over time. However, the control process instigates a change in the sales process that has a dynamic behavior. The behaviors of key customers and sales volumes are constantly changing and aside from that there is a continuous rise of performance deviations and a continuous rise of external threats and opportunities.

All these factors are monthly monitored and evaluated in the MSO. It is by the existence of these factors that the company is forced to adopt new strategic initiatives of sales for: taking corrective action to solve the identified performance gaps; minimizing the impact of these threats, internalizing business opportunities and

increasing sales to certain customers whose buying behavior are in decline. The evaluation of these factors requires certain dynamic in the sales process in order to adapt it or readjust it, improving this process incrementally and monthly.

The Brazil BU believes that these changes occurring in sales initiatives provoke new learning especially in those people belonging to the strategic level directly involved in the changing process of sales. For the controller "obtaining new knowledge is a continuous thing because no one knows about the whole business and about the market that is extremely complex and changeable at any time". The company can develop the capacity to learn when identifying performance problems, opportunities and threats and discuss and raise ideas on how the company can solve these problems; how the company can minimize or eliminate the impact of threats and how the company can execute the opportunities in order to improve, incrementally and adjust, continually, the sales process. For the interviewed, this adjustment promotes organizational learning.

Final considerations: From the evidence found in the analysis of the interviews and support documentation which were schematized in Fig. 2, it was found that this study reached its goal of the proposed investigation: diagnose how the control mechanisms can influence the strategy execution process and the management of strategic initiatives of the critical sales process in a metallurgical organization in Curitiba PR. Strong influences of the diagnosis and interactive use of controls on the management of the strategic initiatives of this critical process have been found. The controls included in Brazil BU fosters a monthly dynamics, readjusting sales and affecting, positively, the performance of this process.

The information produced by the sales force tool is condensed and organized in the performance evaluation presentations MSO to be further identified and discussed at a strategic level: what are the deviations of the month between the realized performance and budgeted performance; what were the reasons that led to the deviations, what are the new action plans to solve such deviations and which are the new strategic initiatives in order to minimize the impact of market threats and internalize new business opportunities. It is from these changes in terms of initiatives that the sales process cannot detach from the paths and from the strategic assumptions pre-established by the budget. All relevant information presented and discussed in the MSO was obtained through the activation of the diagnosis and interactive use of the controls. The static control process provokes and stimulates a dynamic management in the actions of the sales process.

The budget exists to be executed and completed in the following year but the external environment of the Brazil BU is characterized as changeable, presenting, during the year, variables that were not foreseen in the budget. When monitored and identified strategic uncertainties that could make unfeasible the current strategy, the Brazilian industry is forced to adopt new actions during the year to prevent these unforeseen threats from happening and to internalize viable opportunities. These uncertainties were not foreseen when the budget was made.

Sales initiatives have to be dynamic in order to cope with the changes concerning: the behavior of current customers who are increasingly demanding and constantly suffer harassment from competitors; the appearance of potential customers; the appearance of new businesses, new threats and the appearance of performance deviations obtained in sales. These factors require the Brazil BU to react with the adoption of new sales initiatives. It is from these adjustments that the company can achieve the annual strategic objectives of sales in financial terms revenue and sales volume by product lines predefined in the budget. If this BU did not have the ability to monitor and to identify gaps and strategic uncertainties, the company would probably lose customers by maintaining outdated sales initiatives to new environmental contexts.

The interactive use instigates employees of the tactical level coordinator and sales staff and of the strategic level sales manager to be guided by a market orientation, approaching customers and their (new) needs. It is by obtaining and retaining organizational learning and by obtaining an efficient management concerning the intangible assets development of direct communication channels with customers; development of new products to meet the new requirements of customers and incorporation of new business opportunities that resides the greatest potential for the sales strategy of this productive organization. It is from a conjuncture of KPIs that the controls of the Brazil BU monitor and evaluate, on a monthly basis, all relevant sales practices, enabling this company to be able to present for each month to its headquarter, a reliable picture of the reality of the sales process of this industry.

It was found that the success of the Brazilian industry lies in having developed a sales process that is capable of being adjusted and revised monthly. This ability is obtained from control mechanisms which stimulate a dynamicity and a continuous adaptation in this process. The new information generated by the monthly analysis of the external reality through, the interactive use and the internal reality through the

diagnostic use of this process, presented in the MSO, instigate the rise of monthly reviews in this process. It was also concluded that the strategic discussion on MSO presentation is not just sitting on financial indicators such as the KPIs to measure revenue and sales volume by lines. A series of concerns coming from the market and a series of opportunities for the use of intangible indicators are evaluated: KPI to measure the behavior of the ten largest customers; KPI to measure opportunities to develop new products to existing customers and KPI to measure new business with potential customers and to measure the threats coming by competition. It is not just from numbers or tangible results that evaluate fully and completely the strategy of this industry. Indicators that measure financial aspects are necessary but not sufficient. The company benefits from a balanced use of tangible and intangible indicators and this balance generates a more integrative, comprehensive and systemic managerial view. The information generated by the controls presents the reality of the internal and external environment, enriching the discussions between local manager and the top managers of the headquarter.

Impacts of the control mechanisms of the sales process are perceived in the sales performance in terms of financial performance predetermined by the budget and in terms of continuous customer satisfaction. It is through, the activation of KPIs generated by the sales strategic tool sales force which the results are allocated in the monthly presentations of the MSO that generates the expected effectiveness for sales. This tool and the MSO report are facilitating factors and even determining factors in order to reach the planned performance in terms of revenues.

As a research contribution, this study demonstrated the importance of monitoring and evaluation of performance in the management of strategic initiatives of a critical process. The research sought to go beyond the traditional role of controls as a strategic execution tool. The work promoted an effort to generate a broader understanding of the controls on a more strategic and dynamic point of view when exploring a more proactive role of the controls, afforded by the interactive use of controls. This is how the controls, when constantly identify the need to promote changes in strategic initiatives can help companies to achieve a planned performance.

All information interpreted in this study is limited to the case studied qualitatively not allowing generalizations without additional studies being conducted in other organizational analysis units. According to Voss *et al.* (2002), unique cases have obstacles, there are limits to generalize the findings, hinder the development of models and theories from a unique case.

For simplification purposes, the study focused on analyzing only a critical business process. Other processes and other variables that could interfere with the strategic initiatives management process were not objects of this research. The study focused on collecting information present at the strategic level. The opinions of tactical and operational level employees were not considered.

CONCLUSION

It is suggested the expansion of the topic researched to other companies, allowing the exploration of other economic sectors beyond metallurgy, comprising a larger sample and verifying the degree of conformity between control and strategy performance using other methodologies. As a suggestion for continuing this study, it is necessary the elaboration of research in an attempt to generate further validation for the use of control tools to not only perform the planned strategy but also reformulate the strategy. There are also opportunities to develop papers on the implications of feedbacks and feedforwards generated by the controls and how they can generate organizational learning and innovations.

REFERENCES

- Argyris, C. and D. Schon, 1978. *Organizational Learning: A Theory of Action Perspective*. Addison-Wesley Reading, MA., ISBN-13: 978-0201001747, Pages: 356.
- Bisbe, J. and D. Otley, 2004. The effects of the interactive use of management control systems on product innovation. *Account. Organiz. Soc.*, 29: 709-737.
- Chenhall, R.H., 2003. Management control systems design within its organizational context: Findings from contingency-based research and directions for the future. *Accounting Organ. Soc.*, 28: 127-168.
- Ferreira, A. and D. Otley, 2009. The design and use of performance management systems: An extended framework for analysis. *Managem. Accounting Res.*, 20: 263-282.
- Henri, J.F., 2006. Management control systems and strategy: A resource-based perspective. *Account. Organiz. Soc.*, 31: 529-558.
- Kober, R., J. Ng and B.J. Paul, 2007. The interrelationship between management control mechanisms and strategy. *Manage. Accounting Res.*, 18: 425-452.
- Malmi, T. and D.A. Brown, 2008. Management control systems as a package-opportunities, challenges and research directions. *Manage. Accounting Res.*, 19: 287-300.

- Naranjo-Gil, D. and F. Hartmann, 2007. Management accounting systems, top management team heterogeneity and strategic change. *Accounting, Organiz. Soc.*, 32: 735-756.
- Otley, D., 1999. Performance management a framework for management control systems research. *Manage. Accounting Res.*, 10: 363-382.
- Quinn, J.B., 1978. Strategic Change: Logical incrementalism. *Sloan Manage. Rev.*, 20: 7-19.
- Simons, R., 1995. *Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal*. Harvard Business School Press, Boston, USA.
- Teece, D.J., G. Pisano and A. Shuen, 1997. Dynamic capabilities and strategic management. *Strat. Manage. J.*, 18: 509-533.
- Veiga, C.R.P., C.V. Veiga, A. Catapan, U. Tortato, W.V. Silva and A.K.G. Leinig, 2014. Institutional theory and resource dependency in the alteration of distribution channels. *Int. Bus. Manage.*, 8: 240-250.
- Voss, C., N. Tsikriktsis and M. Frohlich, 2002. Case research in operations and management. *Int. J. Oper. Prod. Manage.*, 22: 195-219.
- Widener, S.K., 2007. An empirical analysis of the levers of control framework. *Accounting, Organiz. Soc.*, 32: 757-788.