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**Management control systems and their use in
aligning managerial values: the case of a
Mexican microfinance bank**

by

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Table of Contents

List of Tables	vi
List of Figures	vii
Acknowledgements	viii
Declaration	ix
Abstract	x
1. INTRODUCTION	1
1.1 Introduction	1
1.2 Rationale for the study and research questions	1
1.2.1 The notion of the “what”	1
1.2.2 Notion of the “how”	3
1.2.3 Research questions and contributions	9
1.3 Structure of the thesis	11
2. LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Scientific management and the appearance of the “what” as an element of MC	16
2.3 Development of MCS to align managers with organisational objectives	19
2.4 Anthony’s planning and control framework and the conceptualisation of MC	20
2.5 Behavioural side-effects of MC based on the “what”	23
2.6 Softer approaches to MC	25
2.7 A management idea based on purpose, process and people	27
2.8 The balanced scorecard and the sophistication of the “what”	30
2.9 Simons’ levers of control	33
2.10 Recent research on the use of MCS to align managerial values	39
2.11 Spiritual literature, its approach to goal congruence and ideological controls ...	45
2.12 HR practitioners’ trend for performance appraisals	50
2.13 Conclusions	52
3. METHODOLOGY	55

3.1 Introduction	55
3.2 Ontological position and epistemological assumptions	55
3.3 Qualitative research and case studies	59
3.4 Getting started and selecting the case	62
3.5 Crafting instruments, protocols and data collection	63
3.6 Entering the research site	65
3.7 Analysing data	71
3.8 Achieving closure.....	79
3.9 Conclusions	80
4. COMPARTAMOS BANCO: Background and Context	81
4.1 Introduction	81
4.2 Key characteristics of Compartamos	82
4.3 Compartamos' methodology and business model.....	83
4.4 Cultural background of Mexico	90
4.5 Poverty and women's marginalisation	93
4.6 Compartamos' background.....	96
5. FINDINGS I: Compartamos' MCS – Influencing the “how”	106
5.1 Introduction	106
5.2 Top-down budgeting: Driving the organisation to the traditional “what”.....	107
5.3 Compartamos' value system	110
5.3.1 Nature and purpose of Compartamos' value system	111
5.3.2 Mechanisms that communicate and reinforce the “how”	119
5.3.3 Value measurements	128
5.3.4 Mística Guardians	131
5.4 Code of Ethics and Conduct, whistle-blowing system and Honour Committee .	133
5.5 Physical, Intellectual, Social-Family, Spiritual and Professional (FISEP) Model	137
5.6 Sueñómetro (Dreamometer).....	142
5.7 Intended effects of MCS: Alignment of managerial values	143
5.8 Unintended side-effects of using MCS	147

5.9 Discussion	152
6. FINDINGS II: MCS aiming to simultaneously attain the “what” and the “how”	159
6.1 Introduction	159
6.2 Evolution of the MC “package”	160
6.3 Performance evaluation: the “what” and the “how”	162
6.4 FISEP as an optional mechanism for personal development	165
6.5 “We Expect More from You” programme	169
6.6 “Total Accountability” programme	170
6.7 Different emphases on available MC mechanisms	175
6.8 Conclusions	181
7. DISCUSSION AND CONCLUSIONS	189
7.1 Introduction	189
7.2 Revisiting the research questions	190
7.2.1 MCS involved in attempting to influence the “how”	190
7.2.2 Reasons for attempting to influence the “how”	191
7.2.3 Intended and unintended consequences and effects of attempts to influence the “how”	192
7.2.4 Role played by senior managers’ beliefs about human nature in the design and use of MCS to attempt to influence the “how”	193
7.3 Major contributions	196
7.4 Limitations and shortcomings	198
7.5 Personal reflections and opportunities for further research	199
Appendix A: Interview guidelines	202
Appendix A.1: Interview guideline used in first stage of the research project	202
Appendix A.2: Interview guideline used in the second stage of the research project	203
Appendix A.3: Interview guideline used in the third stage of the research project	204
Appendix B: Letter to Compartamos’ employees to explain the relevance of the <i>Mística</i>	201
Appendix C: Compartamos’ Philosophy	202

Appendix D: Attracting Talent and the Recruitment Process 204

Appendix E: Compartamos' Philosophy Chart 206

Appendix F: Induction Training Process..... 207

Appendix G: Examples of Mística-Related Messages 209

Appendix H: Compartamos' Performance Evaluation Form..... 211

Appendix I: Total Accountability Forms 216

Appendix J: Compartamos' Organisational Charts and overview of the carried out interviews 217

BIBLIOGRAPHY..... 220

List of Tables

Table 3.1: Comparison of key characteristics of different approaches to theory and methodology	58
Table 3.2: Case-study research process.....	61
Table 3.3: Descriptive details of interviewees	68
Table 3.4: Example of Compartamos Bank data coding	75
Table 4.1: Growth of Compartamos, 1990-2016	83
Table 4.2: Compartamos' Results, 2012-2015.....	85
Table 4.3: Compartamos' Great Place to Work rankings	89
Table 5.1: Yearly average training hours by position	121
Table 5.2: Mechanisms for communicating and reinforcing Compartamos' values	125
Table 5.3: Summary of findings on Compartamos' MCS	154
Table 6.1: Compartamos' aids for collaborators' integral development (i.e. under FISEP).....	167
Table 6.2: Different emphases on available MC mechanisms	177

List of Figures

Figure 2.1: The role of context in shaping individual behaviour	30
Figure 2.2: The levers of control framework	36
Figure 2.3: Assumptions about human nature, organisational blocks and levers of control.....	37
Figure 3.1: Overview of the case-study	70
Figure 3.2: Framework to analyse the collected data.....	71
Figure 4.1: Summary of Compartamos' evolution	82
Figure 5.1: Illustration of Compartamos' values with "people" at the centre	150
Figure 6.1: Evolution of Compartamos' MC "package"	161
Figure 6.2: Performance evaluation matrix	164
Figure C.1: Summary of Compartamos' philosophy.....	203
Figure E.1: Illustration of the philosophy chart on a Compartamos desk	206
Figure G.1: Illustration of the wall of a Compartamos branch	209
Figure G.2: Internal poster emphasising values	209
Figure G.3: Picture of a corkboard at the desk of a Compartamos executive	210
Figure G.4: Awards of a regional manager	210
Figure H.1: Performance Evaluation Form, Part 1	211
Figure H.2: Performance Evaluation Form, Part 2	212
Figure H.3: Performance Evaluation Form, Part 3	213
Figure H.4: Performance Evaluation Form, Part 4	214
Figure H.5: Performance Evaluation Form, Part 6	215
Figure I.1: Total Accountability Forms	216
Figure J.1: Compartamos' simplified organisational chart in 2012.....	218
Figure J.2: Overview of the carried out interviews	219

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Declaration

This thesis is submitted to the University of Warwick in support of my application for the degree of Doctor of Philosophy. It has been composed by myself and has not been submitted in any previous application for any degree.

The work presented (including the data generated and data analysis) was carried out entirely by the author.

Abstract

Management control (MC) is a behavioural issue. Senior managers seek to align managerial endeavours with the organisation's objectives. Traditionally, alignment has focused on seeking to ensure that managers support organisational aims by motivating, rewarding, and even monitoring, the achievement of assigned targets. MC was originally mainly about financial targets, before broadening to include non-financial performance measures. However, there is evidence to suggest that organisations may also seek to align managerial "values" with those of the organisation. Organisational attempts to influence managerial mindsets through the MC process raise non-trivial questions regarding the procedures and systems involved, the reasons for apparently expanding into attempts to influence thinking, and the possible consequences of such attempts. These questions form the basis of the present study.

This thesis reports on a case study of Compartamos Bank, a Mexican organisation with a religious ethos, selected through theoretical sampling. Compartamos claims to have the "person" at the centre of its philosophy.

The thesis contributes to the MC literature by broadening the scope of value systems. The findings suggest that value systems are not just a means of boosting performance and accomplishing organisational aims; they may also be used to foster managers' development on various personal dimensions. Evidence from the case study suggests that frequent reinforcement of the organisation's philosophy through its value system, along with a boundary system, may enhance "value congruence". However, using these MC mechanisms may also cause various unintended side-effects.

In detailing the implementation process of a value system, the study fills a gap identified in the MC literature regarding whether and, if so, why organisations may implement "softer" approaches involving the encouragement of shared values, and what may be the possible consequences of doing so.

Abbreviations

BSC	Balanced scorecard
CEO	Chief executive officer
DCS	Diagnostic control systems
EBITDA	Earnings before interest, tax, depreciation and amortisation
FISEP	<i>Físico, Intelectual, Social-familiar, Espiritual, Profesional</i> (Physical, Intellectual, Social-Family, Spiritual and Professional)
GM	General Motors
GPW	Great Place to Work
HDD	Human Development Department
HR	Human resources
HAV	Human added value
ICS	Interactive Control Systems
IPO	Initial public offering
LOC	Levers of control
MC	Management control
MCS	Management control systems
NGO	Non-governmental organisation
PMS	Performance management system
ROI	Return on investment

1. INTRODUCTION

1.1 Introduction

Values appear to matter for the managing of organisations; therefore, management control (MC) theorists have sought to incorporate them into their frameworks (e.g. Hofstede, 1978; Ouchi, 1979; Simons, 1995b). MC scholars acknowledge the difficulty of making values visible and measurable, and argue that they should be broad and vague and cannot be used as standards to measure performance (e.g. Simons, 1995b, 1999; Marginson, 2009). However, measurement plays a pivotal role in organisations, communicating to managers which efforts are desired, and motivating them to achieve those desired aims (Merchant, 1985). In popular terms, “an organization gets what it measures” (Euske et al., 1993, p.275) or “you are what you measure” (Ariely, 2010). Since values seem to be important for managing organisations, this thesis explores whether it is the case that values cannot be measured as part of managing performance, what MC mechanisms may be used by organisations to align managerial values, and why and how these MC mechanisms are used.

In this introductory chapter, Section 1.2 presents the rationale for the research and the research questions, and Section 1.3 presents the structure of the thesis.

1.2 Rationale for the study and research questions

The extant research recognises that organisations have responded to challenges such as globalisation, increased work complexity, and corporate frauds and scandals by expanding the scope and practice of MC (Simons, 1995b; Marginson, 2002; Henri, 2006b; Malmi and Brown, 2008; Berry et al., 2009). This evolution has led to broader MC frameworks, such as the balanced scorecard, “package of controls”, “continuous” budgeting, and particularly Simons’ “levers of control” (LOC), which may involve a re-consideration of human nature regarding MC.

Several of these developments propose and present evidence that organisations are increasingly attempting to change their managers’ mindsets by focusing attention on organisational values and on how managers fulfil their roles, alongside the traditional “targets” that the organisation and its managers must achieve.

1.2.1 The notion of the “what”

Although defined in various ways, MC is essentially about aligning managerial endeavours with organisational aims and objectives. Traditionally, alignment has

focused on seeking to ensure that managers have the necessary information systems and intervention opportunities to shape their own and their subordinates' behaviour in line with what are understood to be their organisation's aims and objectives. Central to this in many cases, and in the way MC as a field of expertise positions its value, is the monitoring and directing of behaviour through assigned targets and objectives. Alignment is achieved mainly through a process of planning, goal setting, performance measurement, evaluation and incentives to encourage managers to take actions toward the achievement of assigned targets. Euske et al. (1993) refer to these quantitative organisational targets as the "whats": "The broad 'whats' the unit is pursuing are defined (e.g., profit, percent on-time delivery)" (Euske et al., 1993, p.293). They may include financial targets, such as increasing ROI or decreasing operating expenses, and non-financial indicators, such as hours of employee training or customer retention rates.

However, targets (the "whats") can be problematic. Goals may be ambiguous, and there may be imperfect knowledge of cause-effect relationships between management interventions and results (Hofstede, 1981), also they can be adjusted as the organisation progresses toward them. As organisations become more complex, measuring the "what" becomes more challenging, and the resulting changes in managers' behaviour may have positive or negative impacts on organisations (Rosanas and Velilla, 2005).

Use of these conventional management control systems (MCS) may cause dysfunctional behaviours, such as short-term decision making at the expense of long-term gain (Lavery, 1996; Merchant, 1990), gaming performance indicators¹ (Jaworski and Young, 1992; Soobaroyen, 2007), poor working relationships with colleagues, and reduced innovation and learning (Argyris, 1977; Bartlett and Ghoshal, 1993; Emmanuel et al., 1990; Hope and Fraser, 2003a).

Simons (1995b, 1999) uses the term "diagnostic control systems" (DCS) to refer to MCS that rely mainly on the "what". To Simons (1995b), DCS are needed alongside boundary systems, interactive control systems (ICS) and especially beliefs systems to stimulate and encourage managers to innovate and expend effort on engaging in appropriate actions to achieve organisational aims and drive strategic renewal.

¹ Gaming of performance indicators involves a subordinate's selection of actions with a view to generating more favourable measures than those that would be gained by selecting an alternative course of action, or that will result in a more desirable level of performance as far as the organisation's true goal is concerned (Soobaroyen, 2007).

The need to include additional mechanisms as part of a “package” of MC (Malmi and Brown, 2008) may be understood with reference to the limitations of traditional MCS that focus exclusively on the “what”. While quantitative-based performance measurement systems may be used to clarify “what” should be achieved, such systems may not motivate achievement of targets in a way that is consistent with the organisation’s values or longer term requirements (Rosanas and Velilla, 2005; Simons, 2010). Even disaggregated balanced scorecard measures tend to focus on reporting the consequences of managerial actions (Lillis, 2002), rather than on influencing, *ex ante*, the nature of the actions themselves (Marginson, 2009).

1.2.2 Notion of the “how”

This study explores value systems as an important, but as yet insufficiently explored, dimension of MCS (Dávila, 2010; Tessier and Otley, 2012; Martyn et al., 2016). As previously indicated, MC used to be mainly about the “what” in terms of financial targets, before being broadened to include non-financial performance measures. Recent developments have expanded the scope and practice to seek to shape managers’ mindsets by focusing attention on organisational values (the “how”). This section elaborates on the notion of the “how”.

The MC literature provides some cases in which organisations have gone beyond traditional MCS that aim to achieve goal congruence by attempting to align managerial endeavours toward the “how”. For instance, according to Marginson (1999), at Telco Ltd, a subsidiary of a British-based communications organisation, managerial activity appeared to be “controlled” by a “social control system” compounded by trust, co-operation and mutual/reciprocal accountability. At Telco, peer esteem, “unwritten rules” and shared expectations seemed to be more important than the “what” in channelling managers’ efforts to support senior management’s strategic agendas. Furthermore, the case reveals that managers re-interpreted their own values and their relationships with peers (Marginson, 1999). The management literature also provides cases that document how managers may shape their actions based on their understanding of the company’s core values. For example, in the 1950s, senior managers at the Japanese company, Sony developed a complete set of values that would guide and inspire the organisation for the long term. Sony’s core values elevated Japanese culture and national status: being a pioneer, not following others, doing the impossible, and encouraging individual ability and creativity (Collins and Porras, 1996). These cases represent

attempts to achieve “value congruence” (Liedtka, 1989), aligning managerial values with those of the organisation.

So, the directing of the “how” may be broadened beyond being directed by the “what”, and corporate values may shape managers’ decisions and actions. Empirical research provides evidence that value systems are mechanisms that may influence managers’ commitment to acting in accordance with their organisation’s values. For example, value systems may lead to more entrepreneurial activity (Marginson, 2002; Bruining et al., 2004), may play a key role in generating ideas and guiding the strategic agenda (Marginson, 2002), or may discourage managers from engaging in inappropriate or even unethical actions. For instance, Merck & Co. Inc.’s mission statement, “putting the patients first”, provided clear guidance to senior executives during a crisis resulting from the side-effects of a pain medication, Vioxx that seriously jeopardised the company’s reputation (Simons et al., 2009). Similarly, Southwest Airlines ranks employees first, customers second and shareholders third in order to set clear priorities, invest in employees’ development and unleash their potential to produce bottom-line results (Simons, 2010). The airline’s value definitions shape senior managers’ decisions and actions. Following this employee-first approach, after the 9/11 attack in the US, Southwest decided to make no layoffs and no pay cuts, despite risking profits and shareholder value (Parker, 2007). Years later, during the depths of the 2009 recession, Southwest’s CEO, Gary Kelly stated: “We’ve never had a layoff. We’ve never had a pay cut. And we’re going to strive mightily, especially this year, to avoid them once again. I worry about that every day. And I don’t worry about much, but I worry about that” (Fortune, 2009). The value of “employees first” seems to have shaped Southwest managers’ mindsets, particularly in these types of trade-off situations. Therefore, the “how” may also relate to tasks and targets that must be achieved in a way that is consistent with the organisation’s values.

Furthermore, some companies may seek to influence how managers think about living their lives, that is, in attempting to align managerial values organisations may look to influence the issue of “how to be” or, in other words, the mindset of managers on a daily basis for members of the organisation. For instance, senior managers at Xerox attend desert retreats to align corporate values with spiritual aims (González, 2015); the CEO of the US firm, Zappos claims to deliver happiness to his managers who live the company’s values (Hsieh, 2010); and the software company, Adobe changed its performance appraisal system to try to align business

needs with individual hopes and aspirations (Hinds et al, 2014). Consequently, the “how” referred to in this research may also be associated with how organisations seek to influence how managers and employees live their own lives or think about living their lives.

Ruiz (2012) denotes that generation of human added value (HAV) and care for human dignity are essential to the firm. For Ruiz (2012), an organisation may generate HAV by turning work into a means of achieving self-fulfilment, conceiving the organisation as a community, being capable of articulating its particular and human objectives within a mission and finally, becoming an open space for the development of reflective capabilities, imagination and other intellectual activities among its participants. Llano (1996) argues that in order to develop human potential, senior managers may attempt to influence the volition or will of their subordinate managers. Acts of volition are autonomous acts that move the intellect: individuals do things because they want to. Managers must be willing to carry out tasks voluntarily. Accomplishing a task out of conviction is different from complying out of obligation or coercion, because the latter prevents human development. Motivation is not achieved by forcing the will of subordinates, but by convincing them of the purpose of the task (Llano, 1990, 1996; Díez, 2012).

Since the 1980s then, those researching the management of organisational culture have placed increasing focus on managing the values and goals of managers. Kunda (1992) describes the mechanisms by which organisational members design and disseminate values to shape the mindsets and actions of individuals. Willmott (1993, p.516) suggests that such approaches are designing mechanisms to win “the ‘hearts and minds’ of employees: to define their purposes by managing what they think and feel, and not just how they behave”.

According to the MC literature, the implementation of MCS that attempt to influence the “hows” may involve a range of information-based mechanisms, including mission statements, newsletters, memoranda, workshops, retreats, and similar social events (Marginson, 2009).

Simons (2005) suggests that the critical tasks of senior managers should be to articulate the purpose of the organisation, to decide “how” they require individuals to act in their organisations, and to design and use MCS to create the necessary conditions for managers to act in desired ways. The role of an engineered beliefs or

value system is to instil in managers a particular set of values that should enlighten their decisions and actions (Simons, 2005; Marginson, 2009).² Marginson (2009), for instance, presents a case-study of a UK-based communications company in which senior managers used their value system to try to change managers' mindsets, focusing attention on a set of normative values that should inform managers' decisions and actions, particularly in trade-off situations. The organisation's desired outcome was value congruence. Marginson (2009, p.19) refers to these managerial values that lie behind those of the organisation as the "hows":

The company's approach to changing mindsets through focusing attention on the "hows" (working practices) [...] provides evidence on a more process-orientated value system than is normally envisaged.

Therefore, when this thesis refers to the "how", it indicates: 1) "value congruence", i.e. alignment of managerial "values" with those of the organisation; 2) achievement of tasks or targets in a way that is consistent with the organisation's values; and 3) activities that organisations put in place in order to develop human potential.

Hence, the MC literature presents evidence that, as well as attempting to achieve the "what", organisations may also seek to align managerial "values" with those of the organisation (Bartlett and Ghoshal, 1993; Simons, 1994, 1995b; Marginson, 2009). This may be described generally then as organisational attempts to influence the "how"; for instance, how managers perceive the organisation, what it stands for (values) and how managers implement these thoughts and views through their decisions and actions.

MCS that focus on the "hows" seek to ensure that all members of an organisation are committed to act in ways that are consistent with its principles (Simons, 2010). Commitment to core values is tested when executives make tough decisions, particularly in trade-off situations, and through promotion and reward judgements. The dynamic interplay between value systems and other management controls seeks to generate shared purpose, group identification, trust and a sense of fairness (Simons, 2005).

² Simons (1995b) uses the term "beliefs systems" to represent what other authors, including Euske et al. (1993) and Marginson (2009), refer to as "value systems". There seems to be little difference in the meanings of these terms. As a matter of preference, this thesis uses the term "value system" rather than "beliefs system"; however, when referring to Simons' work, it follows his term "beliefs systems". Section 2.9 presents a definition of Simons' concept of beliefs systems.

As values appear to matter for managing the MC literature has sought to incorporate them into research frameworks (e.g. Hofstede, 1978; Ouchi, 1979; Simons, 1995b). However, Simons (1995b) argues that “Beliefs systems cannot be tied to a formal organizational incentive. They are too vague to use as standards against which performance can be measured” (Simons, 1995b, p.38). Marginson (2009, p.12) adds that “value systems do not conform to the traditional cybernetic model of management control”. For MC purposes, measurement plays an important role in organisations. MCS are about making things visible in order to focus on what is to be achieved. However, although mainstream accounting scholars and MC theorists have, in the past, recognised the difficulty of measuring and making values and beliefs visible, it is not yet clear how MCS today are using values to align managerial endeavours.

In order to understand how the scope and practice of MC have expanded in attempting to achieve both the “what” and the “how”, it is important to be aware that globalisation, competition and financial markets all put pressure on organisations to improve their financial results. Organisations thus use economic incentives to motivate and/or pressure managers to enhance their performance and innovate in order to boost their products, services and markets to produce required financial outcomes. Simons (1995b) argues that empowerment does not mean that managers can do as they please. MCS should balance empowerment and control in such a way that empowerment does not lead to control failure, nor does control lead to empowerment failure (Simons, 1995b, p.163). Hence, value systems may be necessary to ensure that participants understand the organisation’s purpose and values in an era of highly pressurised environments and growing organisational complexity (Simons, 1999; Marginson, 2009).

According to Simons (2015), when people in organisations work side-by-side to achieve shared objectives, they do not function as blind agents pursuing their own self-interests. However, senior managers still use traditional MCS, designed to leverage managers’ self-interests, which fail to reflect how businesses work and how managers attempt to achieve their objectives. Recent literature has broadened the focus of MCS to favour particular strategies, such as promoting learning through budgeting processes (Abernethy and Brownell, 1999), promoting innovation (Dávila, 2000; Marginson and Ogden, 2005) or enabling entrepreneurial success (Dávila et al., 2009). Endeavouring to influence the “hows” links to the increasingly strategic role of middle managers in reflecting senior managers’ views of organisational needs. Research also suggests that implementing value systems may involve staff

(Simons, 1995b) and middle-level managers (Marginson, 2002) in raising awareness and reinforcing organisational values. This suggests that interactions across an organisation may play an important role in the implementation of MCS that attempt to influence the “hows” (Marginson, 2009).

Organisations appear to have responded to increasing complexity by expanding the scope of MC in order to achieve not only the “what”, but also the “how”. Hence, recent MC developments have focused both on influencing people to behave in ways that lead to the achievement of organisational goals (the “what”), and on leading managers to act in accordance with the organisation’s purpose and principles (the “how”). Pressure on organisations to continue to survive and grow appears not to have led to any reduction in control; rather, control has evolved to some degree and perhaps even increased, bringing about a more salience with regard to value systems (the “how”), while still emphasising organisational goals (the “what”).

This thesis reports on a case-study that explores why and how one organisation has attempted to influence the “how”. Compartamos Bank is a Mexican organisation that claims to be people-oriented and to have the “person” at the centre of its philosophy: “We strive to be better people with our people focus. We encourage integral development under the Physical, Intellectual, Social-Family, Spiritual and Professional model” (Compartamos, 2008).

The balanced scorecard is a tool that looks to go beyond the measurement and management of financials and seeks to capture both financial and non-financial measures relating to learning and quality. Compartamos presents an opportunity to explore beyond this and explore how attempts to capture detailed measures around different, very personal data, are progressing, and how they fit with other aspects of MCS that the bank needs to monitor. Thus, this explores the issue of values within MCS by focusing on how the personal, spiritual and social good can be measured alongside other traditional measures. Therefore, it attempts to incorporate values and beliefs (which are a part of culture) into a study of MCS by reviewing the experience of senior managers seeking to create and sustain a microfinance bank that has some characteristics of a hybrid organisation with dual (social good and commercial sustainability) aims.

This study contributes to knowledge in an area of increasing organisational activity. MC used to be mainly about the “what” in terms of financial targets, before broadening to include the “what” of non-financial performance measures. New

developments are now expanding the scope and practice of MC to attempt to identify “how” a particular task may be achieved, “how” managers should fulfil their roles, and “how” organisations may manage the tensions between work and non-work and how they might even develop human potential. Little research has previously been carried out on how MCS are used to achieve these “hows”, and even less is known about the possible consequences of using MCS to shape the “how”.

1.2.3 Research questions and contributions

The results of this study will help to contribute to our understanding the strengths and weaknesses of systems that try to incorporate values/beliefs into formal information gathering and intervention practices. Drawing on what we know of the pitfalls and strengths of traditional monitoring and behaviour. Beyond this it may help organisations considering devising broader MCS to consider how and why these might work and whether they are appropriate for their aims. The thesis also provides an account of ways in which MCS that attempt to achieve the “how” may be implemented in practice. The research questions are:

- How is managing the “how” attempted? What MCS are involved and why?
- What are the reasons for attempting to influence the “how”? Are these reasons influenced by ethical or religious motives?
- What might be the consequences/effects of attempts to influence the “how” on people’s day-to-day work? Are there unintended side effects?
- Do senior managers’ beliefs about human nature play a role in the design or use of MCS that attempt to influence the “how”?

In answering these research questions, this thesis contributes to the MC literature in a number of ways. First, it broadens the scope of value systems by challenging the assumption of the MC literature that value systems cannot be used as standards against which performance can be measured, nor tied to a formal organisational incentive system. The present study illustrated a case where values are used “diagnostically” (Simons, 1995b). Findings suggest that value systems are not just a means of boosting performance and accomplishing organisational aims or strategic renewal; they may also be used to foster people’s development on various personal dimensions, including health, intellectual, spiritual, social, family and professional. In order to do so, Compartamos Bank intended to translate personal issues and “values” into critical performance variables. Managerial values alignment is attempted through a process of goal setting, performance measurement, evaluation

and incentives to encourage managers to take actions toward the achievement of assigned targets. Hence, value systems used simultaneously with other MCS may help to achieve human added value in organisations. However, the use of the value systems may also cause various unintended side-effects and dysfunctional behaviours.

Second, in detailing the implementation process of a value system, the study fills a gap identified in the MC literature (Otley, 1999; Merchant and Van der Stede, 2006; Cugueró-Escofet and Rosanas, 2016) regarding whether and, if so, why organisations actually implement “softer” approaches involving the encouragement of shared values, and what may be the possible consequences of doing so. The purpose was to examine the intended and unintended effects that engineered value systems may have on patterns of organisational behaviour. Evidence from the case-study suggests that frequent reinforcement of the organisation’s philosophy through its value system, along with an appropriate boundary system, may help to enhance “value congruence” when managers see the underlying value system as appropriate

Third, the study reports on a case in which a value system is used simultaneously with other MCS, aiming to align Compartamos managers’ behaviour with the founders’ beliefs and the business strategy. The study presents a case in which senior managers implemented MCS based on a Catholic notion of human nature, seeking to achieve the integral human development of their managers as a result of pursuing goals on different dimensions (physical, intellectual, social, family, spiritual and professional). The case-study MCS even tried to influence managers in attempting to achieve their own dreams.

Fourth, this thesis provides an account of how MCS seeking to achieve the “how” may be implemented in practice, and it does so in a way that aims to be sensitive to the national context - Mexico. The study also contributes to the MC literature by responding to a call made by Martyn et al. (2016) to present empirical evidence of how national culture impacts on the use of MCS and how the use of MCS influences organisational sets of beliefs. Moreover, this study contributes to some degree as responding to Kraus et al.’s (2016) call to investigate ideological control relating to senior managers’ use of rituals and symbols, and “ideological talks” through which they target employees’ values, beliefs and emotions.

Finally, this thesis contributes to the literature by examining the LOC framework, which was developed on the basis of findings from US companies, in the context of an organisation in an emerging economy.

1.3 Structure of the thesis

The remaining chapters of this thesis are organised as follows. Chapter 2 presents a review of the relevant management control literature, including research on how organisations align actions with the achievement of aims and targets (the “whats”), and how organisations may seek to influence the “how”.

Chapter 3 presents a consideration of the most appropriate research methodology to address the research questions. The chapter explains the ontological assumptions made, the epistemological position adopted and the methods followed in this study.

Chapter 4 explains the research site: Compartamos Bank. The study reveals that the founders’ understandings of Mexico’s background, in a context of poverty and marginalised women, has influenced Compartamos’ purpose and management style. Therefore, understanding the need for micro-credit in Mexico, and thus the origins and evolution of Compartamos, requires an awareness of the economic and cultural conditions of Mexico, including the gap between rich and poor (Woodworth and Hiatt, 2003). A brief review of the importance of religion is also required to set the scene and establish Compartamos as a product of its place and time. Therefore, this chapter reflects on Mexico, the idiosyncrasies and particularities of Mexicans, and the evolution of Compartamos.

Chapter 5 describes Compartamos’ use of a value system to seek to achieve the “how”, why the organisation has used it, and how senior managers have implemented it in practice. In addition to the value system, Compartamos has put in place other MCS that seem to be used simultaneously to attempt to achieve both the “what” and the “how”. This chapter presents findings regarding these MCS.

Chapter 6 analyses the evolution of Compartamos’ MC mechanisms and discusses tensions between the need to achieve both the “how” and the “what”. This chapter examines the findings of the empirical investigation of this study to answer the research questions.

Chapter 7 summarises and analyses the main findings of this thesis and presents some overall conclusions. It also discusses the limitations and shortcomings of this

research project, and its major contributions to the existing MC literature. Finally, opportunities for further research are suggested.

2. LITERATURE REVIEW

2.1 Introduction

Although defined in various ways, MC is essentially about aligning employee endeavours with organisational aims and objectives. Traditionally, alignment has focused on seeking to ensure that managers have the information systems and intervention opportunities to shape their own behaviour and ultimately that of their subordinates in line with what is understood to be their organisation's aims and objectives. Central to this in many cases, and in the way management control as a field of expertise positions its value, has been the monitoring of behaviour via assigned targets and objectives. As Otley (1999, p.367) states "In popular management theory, goal-setting and performance measurement play a pivotal role, expressed in phrases, such as 'what gets measured gets done'." Euske et al. (1993, p.293) refer to these "defined quantitative targets" pursued by organisations or business units as the "whats". Today they may include financial targets, such as increasing EBITDA or decreasing sales expenses, and non-financial indicators, such as staff turnover or percentage on-time delivery. Setting these targets is seen to shape behaviour by directing the attention of all employees, including managers, even if the process by which these "whats" shape behaviour is far from easily deterministic and success is not guaranteed (Otley 1999).

As mentioned in chapter 1, values therefore often matter to management. Some organisations also seek to explicitly align managerial "values" with those of the organisation (Euske et al, 1993; Bartlett and Ghoshal, 1993; Simons, 1994, 1995b; Marginson, 2009). There is indication of this as far back as, for example, the founding of IBM when, Thomas J. Watson, founder of IBM, clearly articulated his beliefs, which created a sense of pride in IBM's employees, guiding their actions in the desired strategic direction (Watson, 2003; Moss Kanter, 2011). Bartlett and Ghoshal (1993) observe a similar approach taken by a multinational corporation, which disseminated its purpose and values, such as customer service, trust, cooperation and flexibility, through a document known within the organisation as the "policy bible". Indeed, the ideas of strong culture management have permeated organisational behaviour for decades now (Peters and Waterman, 1982; Kunda, 1992).

Organisations' attempts to align managerial values may be described as seeking to influence the "how", in that they explicitly look to influence the issue of 'how to be' or, in other words the underlying rationale or mindset of managers, on a daily basis

for members of the organisation. For senior managers themselves knowing how far to intervene in the 'how to be' of subordinates could be seen as part of the way they do or do not successfully implement management control. While managers and professional staff often seem caught in control systems themselves that look for the prioritisation of work in their life (e.g. Kunda, 1992) the degree to which the organisation can successfully look to intervene in the more 'private' sphere of life beyond professional class workers is a moot point, indeed as mentioned in the previous chapter generational and cultural issues relating to identity and work are rich, varied and ever evolving.

In the MC literature Simons (1995b), for example, discusses how organisations may use beliefs systems to communicate "core values" and to motivate, and especially inspire, employees to search, create and expend effort on engaging in appropriate actions. How MCS work in these endeavours is an area that has been less well-explored and as Otley notes:

Other, 'softer' and more 'visionary' approaches, involving the encouragement of shared values may be seen as being more appropriate to some circumstances, and less destructive of organizational culture and ethos... the assessment of the benefits and weaknesses of alternative approaches is essentially an empirical question that can be resolved only by the detailed observation and analysis of practice (Otley, 1999 p. 377).

Attempts by organisations to influence managerial mindsets through the MC process raise non-trivial questions regarding the procedures and systems involved, the reasons for such apparent attempts to influence thinking, and the possible consequences of such attempts. These questions form the basis of the present study, and are addressed in subsequent chapters. This chapter reviews the pertinent management control literature, including research on how organisations align actions with the achievement of aims and targets (the "whats"), before reviewing the extant literature on how organisations may seek to influence the "how". It builds on a series of previous reviews of the MC literature (Gigliani and Bedeian, 1974; Hofstede, 1978; Kaplan, 1984; Macintosh, 1994; Otley et al., 1995; Berry et al., 2009; Franco-Santos et al., 2012), but concentrates on analysing the evolution of MC from focusing mainly on the "what" to new approaches that also appear to explicitly include the "how".

Although the chapter attempts to present the MC literature in chronological order, this is not always possible as there are sequential overlaps in some of the ideas

discussed.³ First, the chapter reviews scientific management, as this appears to be a precursor of MC (Kaplan, 1994; Otley et al., 1995) and the use of budgets and accounting information to influence managers' actions, which affect achievement of the "what". Second, the chapter analyses the development of MCS in multidivisional organisations that seek to align managers' own interests with organisational objectives. It is argued that, in these types of organisation, the definition of the "what" is central to influencing desired behaviour. Third, Anthony's (1965) planning and control framework and conceptualisation of MC is presented. Fourth, some critiques of the literature are introduced, relating to how conventional MCS based on the "what" may cause dysfunctional behaviour. The chapter then reviews some "softer" approaches involving the encouragement of shared values, that appear to have arisen in response to the dysfunctional behaviours caused by MCS being centred only on the "what", and that may be antecedents of the later development of the "how" in MC. The evolution from multidivisional organisations to decentralised alternatives is then examined, which may help to create contexts that reinforce organisational members' learning, cooperation, initiative and creativity.

Next, the review analyses the balanced scorecard (BSC), which played a role in the evolution of cybernetic MC with a more sophisticated elaboration of the "what". The BSC is also presented because it is an MCS frequently used in contemporary organisations (Koch, 2010; Cooper et al., 2016), including Compartamos Bank, the selected case for this study. Simons' "levers of control" (LOC) framework is then reviewed, which includes beliefs systems as one of four levers that help organisations to influence behaviours. It is argued that Simons' beliefs systems, which are associated with core values, may be a pertinent antecedent in the MC literature of attempts to influence the "how". Recent research papers following LOC are examined to understand how the extant research deals with the "how" and to identify gaps in the literature⁴.

³ For example, Argyris' work is presented in analysing the behavioural side-effects of MC attempting to influence the "what", which is reviewed after discussing Anthony's planning and control framework. However, Argyris and Anthony were contemporaries, and their work is intertwined.

⁴ There is substantial literature that has analysed management control from a critical perspective that might have been used in this thesis as part of the framing of the research problem. Critical research has explored the impact of MCS upon behaviour in a variety of ways. For instance, research papers that have addressed issues of power, conflict, and culture using social theories, such as Foucauldian theory of power (e.g. Hopper and Macintosh, 1993; Walsh and Stewart, 1993), Structuration theory (e.g. Roberts and Scapens, 1985; Uddin and Tsamenyi, 2005), anthropological studies (e.g. Efferin and Hopper, 2007), or Theories of political economy (e.g. Neimark and Tinker, 1986, Wickramasinghe and Hopper, 2005, How and Alawattage, 2012). However, this chapter did

Following a chronological analysis of the MC literature, the chapter reviews two trends in the literature beyond accounting and MC: first, the spiritual literature and its link with “ideological controls” (Kraus et al., 2016), and second, a recent trend amongst some human resources (HR) practitioners taken up by the *Harvard Business Review*. The reason for choosing these movements is that they appear to exemplify attempts to align managerial “values” with those of the organisation. Some companies are trying to influence how managers think about living their lives. For example, the CEO of US firm, Zappos claims to deliver happiness to his managers who live the company’s values (Hsieh, 2010), and the software company, Adobe changed its performance appraisal system to try to align its business needs with individuals’ hopes and aspirations (Hinds et al., 2014). Consequently, the “how” referred to in this thesis may potentially be associated with how organisations attempt to influence how managers live or think about living their lives.

Finally, conclusions are presented that explain why questions about MC regarding the “how” need to be asked, and why it is timely to do so now. This chapter, therefore, provides a context in which one can ask how exactly an organisation that prides itself on its mission to deliver a more financially inclusive Latin America, operationalises the values it states and it promotes. How has a value driven mission been implemented? Given the attractive nature of performance measures as a way to manage organisational complexity and deliver large demanding strategies has there been a move to measure and monitor values and if so how has this been done? If managers translate a desire to manage the “how” (to be) into a number of “what”, how has this worked? And, do we see the same problems occurring that face traditional MCS?

2.2 Scientific management and the appearance of the “what” as an element of MC

This chronological literature review begins by examining scientific management, an apparent precursor to MC, which provided a basis for the use of analytical and budgetary models of control (Kaplan, 1994; Otley et al., 1995). Scientific

not review these critical studies. This review focused instead on the review of the mainstream management control literature. This is because the focus here is to understand the impact of bringing the management of values directly into management tools and it was important to capture the chronological shift in how mainstream MCS has developed its ideas about the boundaries of intervention into the more ‘personal’ sphere. Hence, the review focuses on capturing the mainstream shift in this respect: the move from an explicit focus on ‘the what’ to one on ‘the what and the how’.

management introduced a systematic analysis of factory productivity, mainly in manufacturing firms. Complex mass production demanded new management information that was not provided by existing financial information systems (Johnson and Kaplan, 1987). The scientific quest for knowledge on efficiency required closer control over increasingly complex and specialised manufacturing tasks. Copley (1969) states that a central idea of scientific management was “control”. Frederick Taylor (1907) referred to it as “taking the control of the machine shop out of the hands of the many workmen, and placing it completely in the hands of the management, thus superseding ‘rule of thumb’ by scientific control” (cited in Giglioni and Bedeian, 1974, p.292).

Taylor, intellectual leader of the movement and author of *Principles of Scientific Management* (1967), believed that efficiency depends on a standardised method of production. His system demanded that workers produce at higher speeds and with greater subordination to management. Thus, managers focused their attention on pre-determining standard rates at which material and labour should be consumed in manufacturing tasks. For Taylor, standards provided information for planning processes so that wastes of materials and time were kept to a minimum. Engineers and accountants used information about standards to evaluate and drive the potential efficiency of tasks or processes (Johnson and Kaplan, 1987). Taylor sought the “one best way” to use labour and material resources, not just to accomplish tasks, but also to establish ideals so that companies could work more efficiently (Kaplan, 1984).

Scientific management theorists are characterised by their attention to practical problems, a scientific approach focusing on understanding and conceptual analysis, as well as on a desire to solve problems. Otley et al. (1995) argue that the contribution of scientific management to MC lies in raising awareness of the need for budgeting methods of control and in developing a link between costs and operational activities. Budgets are about efficiency, cost control, variance correction and target achievement. Barrett and Fraser (1977) identify three main roles of budgets: 1) planning – details of standards/targets that an organisation wants to accomplish; 2) motivation – targets that persuade managers to achieve organisational objectives; and 3) evaluation – standards that are compared against actual results. However, Otley et al.’s (1995) criticism of the scientific management movement is that “these practical theorists may have pursued rationality of economic action and the search for universal solutions too far” (Otley et al., 1995, p.S34).

A relevant component of scientific management practices was a quest to make the actions of individuals visible and calculable in relation to norms and standards (Miller and O'Leary, 1987, 1994). Senior managers were preoccupied with waste and inefficiency in the employment of human, financial and material resources. Their increasing concern with the effective use of capital led them to think of their subordinates as replaceable resources in an efficient production process. Ghoshal and Bartlett (1997, p.3) quote Henry Ford in explaining this philosophy and the difficulty of making people as predictable as other inputs: "When all I want is a good pair of hands, unfortunately I must take them with a person attached!" Hence, MCS within this scientific management type of approach sought to minimise individual idiosyncrasies and make subordinates predictable and controllable (Ghoshal and Bartlett, 1997). The supervisor's function was mainly to ensure the operation of the standard model. Parera and Fernández-Vallejo (2013) argue that, although the middle-manager role emerged in scientific management, its function was reduced to the mere executor of a mechanical model to which the middle manager had no possibility of making any contribution.

The development of MCS in scientific management, such as standard costing and budgeting, provided techniques which were intended to reveal the inefficiency of individuals within the enterprise and make managers accountable by reference to prearranged standards of performance. MCS made it possible to attach norms and standards of behaviour to every person in the firm: the "human element in production, and most importantly the individual person, could now be known according to their contribution to the efficiency of the enterprise" (Miller and O'Leary, 1987, p.242).

Scientific management and budgeting provided a new way of governing middle managers in an organisation. It also led to a new idea of human fulfilment in organisations relating to the "what". As cost accounting pioneer, George Charter Harrison stated:

No man can realize his fullest possibilities, whether he be a five-dollar-a-day trucker in the factory or a five-thousand-dollar-a-year executive, unless he has before him at all times (1) a carefully determined objective, (2) records showing the relationship between accomplishment and this objective, and (3) if he has failed to realize the objective, information as to the causes of such failure. Standard costs furnish the factory superintendent with this information as regards factory costs, and standard profit or budget systems give the executive this information as regards profits (Harrison, 1930, cited in Miller and O'Leary, 1994, p.105).

In summary, scientific management used standard cost and budgeting, for what Miller and O'Leary (1987, p.235) call "the construction of the individual person as a more manageable and efficient entity". At this stage, the human being was not only assumed to function based primarily on utility, but was also conceived as an entity that could be endowed with further capacity for efficiency through a process of facilitating tasks. Elements such as routines and clarification of targets (the "what") could supplement human capacities to achieve higher objectives and better results. Thus, the assumption was that human nature *per se* has a natural limit that can only be surpassed by means of the artificial addition of structure and homogeneity.

2.3 Development of MCS to align managers with organisational objectives

In the first quarter of the twentieth century, senior managers in companies such as Du Pont and General Motors (GM) identified two obstacles that might threaten the potential growth in profits brought about by the efficiencies of scientific management. One was the complexity of organisations created to take advantage of well-managed hierarchies; the other was a lack of managerial interest in the firm's objectives (Kaplan, 1984; Johnson and Kaplan, 1987). Thus, senior managers developed MCS to tackle these risks, which included decentralisation through the establishment of functional or multidivisional organisations (M-form structure), the return on investment (ROI) performance measure, formal capital appropriation procedures, budgeting and planning cycles, flexible budgets, target pricing based on standard volumes, incentive and profit-sharing plans, and market-based transfer-pricing policies (Kaplan, 1984).

Multidivisional organisations used MC mechanisms to channel their self-interests toward companies' profits (Johnson and Kaplan, 1987). The operational growth of these corporations created a need for delegation of power. The image of the human being in the organisation now required not only the capacity to fulfil tasks efficiently, as in scientific management, but also an ability to manage certain aspects of the operation to achieve the organisation's goals (the "what"). Human beings, when considered as a factor in the organisation, might not fully appreciate the aims of the business, but their energy could be channelled toward organisational interests. Organisations needed decision-making individuals who could be held responsible. Definitions of targets might influence their decisions and actions, which might affect achievement of the "what".

Miller and O'Leary (1990, p.491) claim that M-form companies required a new culture of individualism not shackled to "medieval religion and the feudal period but

rooted firmly in the reality of a technological responsibility". This implied that individuals' rationality was bounded and limited, and that responsibility was something that could be instilled. Integrated M-form organisations needed rational and responsible managers, an individual that was not only efficient but also targeted focus. According to Miller and O'Leary (1990), senior managers shape the type of human beings that they required. The assumption was that individuals entered a firm with the capacity to fulfil tasks, the potential to be supplemented for efficiency, and the capability of identifying certain goals in terms of a given agency toward their accomplishment. Townley (1995) supports this idea, explaining that accounting and MCS acted as a process of standardising and normalising the lives of individuals, as an interconnected element in a variety of operations. It was concerned with the consequences of individuals for organisational goals.

The task now given to accounting was to produce a population of "calculable subjects" (Townley, 1995, p.558). Thus, MCS gave rise to "calculating selves and calculable spaces" (Miller, 1992, p.67). Townley (1995) suggests that this monetarisation reduced human actors, actions and objects to monetary prices. Her analysis is based on Foucault's critical depiction of the organisation:

One must eliminate the effects of imprecise distributions, the uncontrolled disappearance of individuals, their diffuse circulation ... [discipline's] aim was to establish presence and absence, to know where and how to locate individuals, [...] to be able at each moment to supervise the conduct of each individual, to assess it, to judge it, to calculate its qualities or merits [...] Discipline organizes an analytical space (Foucault, 1977, cited in Townley, 1995, p.563).

In brief, in order to improve efficiency and achieve higher profits, vertically-integrated firms and multidivisional companies required responsible managers whose interests were aligned with the companies' goals. Thus, the "what" appears to have become a pivotal element of the MC function, and senior managers appear to have popularised the use of MCS (Kaplan, 1984). Critical scholars (e.g. Miller and O'Leary, 1987, 1990, 1994; Miller, 1992; Townley, 1995) suggest that the MC technology "made up" the self-interested person capable of taking opportunities and maximising firms' profits.

2.4 Anthony's planning and control framework and the conceptualisation of MC

According to Kaplan (1984), the management practices mentioned in the previous sections (scientific management, vertically-integrated companies and M-form

structures) and related MCS were devised by engineers working in actual organisations, rather than by academic researchers. However, scholars from the 1950s to the 1970s, such as Anthony (1965) and Koontz and Bradspies (1972), attempted to solidify the groundwork of MC theory, conceptualising MC practices and developing frameworks for teaching and research purposes (Gigliani and Bedeian, 1974).

The seminal theoretical work of Robert Anthony (1965) is said to have laid the foundations for the theory of modern MC (Otley, 1994; Hewege, 2012) and is referred to as the “classic” model (Berry et al., 2005). Having observed large multidivisional and Anglo-American industrial organisations, Anthony developed a framework consisting of programming and budget preparation, analysis and reporting of financial performance, and executive incentive plans (Hopper and Powell, 1985; Otley et al., 1995; Chenhall, 2003). This framework connected the processes of strategic planning, MC and operational control with information and accounting systems (Anthony, 1965). According to Otley et al. (1995, p.S32), Anthony saw management control as “being sandwiched between the processes of strategic planning and operational control”. To address firms’ concerns at that time, Anthony focused on developing a system that would help organisations to secure managerial interest in organisational goals (the “what”). He was “a pioneer in emphasizing the importance of motivation issues in the design of management control systems” (Zeff, 2008, p.196). He used the term “goal congruence” to describe the use of MCS to align the interests of managers with those of the organisation (Zeff, 2008; Birnberg, 2011). Since the outputs of MCS were data that individuals’ superiors would use to evaluate them (the “what”), this MC process was expected to motivate managers, and thus achieve goal congruence (Birnberg, 2011).

Anthony was an early supporter of the behavioural dimension of MC (Zeff, 2008; Birnberg, 2011). He recognised the need to understand human behaviour in developing, implementing and using MCS. Anthony (1957) acknowledged that control and management issues were not strictly accounting or information problems. He found the role of behavioural science and the study of human reactions to be important at the managerial level, and claimed that control has to do with “the attempts of one person to direct or influence the actions of other persons. This personal, human element, in the process came to be the central focus of our thinking” (Anthony, 1957, p.229). He was aware of the unpredictability of human actions and that no person is motivated identically by the same incentive: “Human

beings [...] do not behave so predictably; human reactions to a stimulus are much more complicated, and human control systems cannot be so easily or so precisely designed as mechanical or electrical ones” (Anthony, 1957, p.229). Moreover, since human interaction unavoidably raises communication problems, drawing attention to agreements on precise budget figures may clarify objectives and ease misinterpretations. Anthony also warned senior managers not to fool subordinates with the implicit assumption that there must be some objective way of defining costs or budgets: “any attempt to use costs to trick or mislead the organization is likely to be self-defeating, in that it will motivate people in quite a different direction from what is intended” (Anthony, 1957, p.233).

Anthony was interested in the human dimension of MC; however, as argued by Birnberg (2011, p.596), his early defence of the behavioural dimension of management accounting and control “has largely gone unnoticed and uncredited by more recent writers in the area”. Moreover, Hofstede (1978, p.460) accused him of defining MC according to a cybernetic philosophy that considered the people in the system “as if they were things – as means to be used”. Cybernetics is a clearly-defined system comprising input, process and output components. The process uses a feedback loop of setting goals, measuring achievement, comparing the achievement of goals, feeding back information about unfavourable deviations into the process to be controlled, and correcting the process. In their most simplified form, cybernetic MC processes are similar to technical control processes, such as controlling room heating with a thermostat (Hofstede, 1978). Hofstede (1978) argued that scholars and practitioners using cybernetic control systems were “more concerned with the method of measuring performance than with the content of what was measured” (Hofstede, 1978, p.453). Hence, people in a cybernetic system are considered as inputs to be used in order to fulfil goals (the “what”).

Otley et al. (1995) argue that Anthony’s work has restricted the subject of MC to an accounting-based framework that contains little or no discussion of social-psychological or behavioural issues. Although Anthony was concerned about the importance of people in MC, his attachment to the cybernetic approach appears to have caused this human concern to remain unnoticed by some scholars in the MC domain (Birnberg, 2011). Anthony’s accounting-based approach to MC was intertwined with the concept of cybernetic controls, with a strong emphasis on achieving the “what” (Hofstede, 1978; Hewege, 2012).

2.5 Behavioural side-effects of MC based on the “what”

In seeking to understand the behavioural side-effects of organisations' attempts to influence achievement of the “what”, pioneering works such as those by Argyris (1952), Lowe and Shaw (1968), Buckley and McKenna (1972), Hopwood (1972) and Otley (1978) criticised the “classic” MC approach for generating behavioural side-effects, and emphasised the human element of MC.

Argyris (1952, 1953) identified several ways in which pressure to achieve budgets may cause tensions in employees (e.g. “I want to achieve my target and contribute to the organisation’s mission, but I can’t achieve my budget if I follow the organisation’s policies”). This type of cognitive tension may result in stress, interpersonal conflict and distrust which, in turn, may cause dysfunctional behaviour such as gaming of performance indicators, reduced effort and poor communications.⁵ The pressure of MCS may also lead to hostility between staff and line managers, which is counter-productive to fulfilling organisational goals. Argyris’ studies showed a need to complement the technical knowledge of budgeting with knowledge of human behaviour. His work also suggests not only that dysfunctional behaviour is a natural human tendency, causing a need to use controls, but also that using MCS may cause dysfunctional behaviour.

Hofstede (1967) illustrated that the difficulty of budget goals has a non-linear effect on motivation to achieve them: maximal motivation occurs when the difficulty is neither very easy nor very difficult. According to Hofstede (1967), the need for achievement, created by MC attempting to influence the “what”, seems to be a powerful motivation; however, increased motivation may easily be accompanied by pressure, which may disrupt teamwork and lead to undesirable effects like scapegoating and fighting the system. Pressure to achieve the “what” may be accompanied by lower job satisfaction, and may often lead to game-like bargaining between senior management and employees.

Lowe and Shaw (1968) discussed the tendency of managers to manipulate budgetary targets in order to guide workers’ behaviour. During this period, a behavioural perspective on managerial performance evaluation also emerged. Hopwood (1972, 1974) studied the impact of diverse uses of accounting information seeking to influence employees’ behaviour and drive organisational performance. He argued that, when budget measures are used to evaluate performance,

⁵ The term “dysfunctional” is typically used to explain actions in which a subordinate attempt to manipulate elements of a MCS for his/her own benefit (Jaworski and Young 1992).

subordinates are likely to experience conflictual tension because they are unsure how their behaviour will affect these measures. This conflict may cause stress, demotivation, dissatisfaction with the budgeting process, and dysfunctional behaviours such as gaming (Birnberg et al., 1992). Gaming performance indicators occur when a subordinate select an alternative course action expecting the most favourable personal outcome, regardless of the action that may be most beneficial to the organisation (Lawler and Rhode, 1976). This may happen when a manager attempts to maximise his/her performance on an indicator, even though he/she knows that the indicator is not aligned with the organisation's objectives (Kerr, 1975). For example, when a promoter is evaluated based on volume of sales, then he/she may increase sales that may lead to lower profitability or that may affect customers' long-term relation (Jaworski and Young 1992). Another form of gaming may be the creation of budgetary slacks (Jaworski and Young 1992). In this case, a manager hopes that the budget under which his/her performance will be evaluated will be easier to attain. Managers may also build budgetary slacks to protect themselves from environmental uncertainties (Cyert and March, 1963).

Other scholars have similarly argued that MCS focusing mainly on motivating the attainment of the "what" may cause dysfunctional behaviour, such as short-termism (Lavery, 1996; Merchant, 1990), gaming (Jaworski and Young, 1992; Soobaroyen, 2007), conflictual working relationships and decreases in innovation and learning (Argyris, 1977; Emmanuel et al., 1990; Hope and Fraser, 2003a). Hopper and Powell (1985) claim that awareness of these behavioural dysfunctions simply prompted refined measurements and the inclusion of more sophisticated economic and mathematical approaches to transfer pricing and divisional performance measurement, or advice that troublemakers be given more accountancy education (Hopper and Powell, 1985, p.435). Hope and Fraser (2003b, p.2) make a drastic suggestion that budgeting "should be abolished". They argue that budgets and a "command and control" culture both encourage centralised, hierarchical organisations that prevent agile adjustments to market conditions. They also suggest that budgeting demotivates people and may even encourage unethical behaviour and increase reputational risk (Hope and Fraser, 2003a). Marginson and Ogden (2005, p.436) suggest that, since the work of Argyris (1952, 1953) and as in the title of his (1953) paper, the perspective adopted in the budgeting literature has been "human problems with budgets".

In parallel, other scholars started to challenge the assumptions about human behaviour behind classic MCS. McGregor (1957) attempted to describe

assumptions about human nature underlying managers' thoughts and theories on management. He described the conventional view of management beliefs as "Theory X", in which subordinates are understood as being indulgent, lacking ambition and self-centred. Thus, in the absence of managerial intervention, they will be passive or even resistant to organisational needs. He referred to an alternative view, "Theory Y", as a set of beliefs that consider people to be hardworking, capable of assuming responsibility and, more importantly, best able to fulfil their own goals by directing their own efforts toward organisational objectives.

To address the limitations of Theory X and critiques of the dysfunctional behaviour caused by MCS, Argyris (1971) proposed a path to drive management and organisational development from Theory X to Theory Y, allowing people to contribute to more active development of individual and organisational well-being. Argyris (1985) later recognised that organisations tend to have Theory X-type assumptions, but that many of these are caused by non-productive habits and defensive routines.⁶ Argyris attempted to identify these non-productive forces so that managers could eliminate them and thereby increase the human potential to contribute.

Later, Argyris (1990) invited managers to challenge their assumptions, learn to look beyond the symptoms of the problem and analyse the underlying dynamics. Argyris called this "double loop learning", in which one should: never stop asking "why?" Double loop learning began when managers started challenging underlying organisation policies and objectives. Double-loop learning involves targets' and rules' modification. The first loop uses the goals or the organisational rules, the second loop allows their modification. In double loop learning, assumptions underlying current views are questioned and hypotheses about behaviour tested publicly. For Argyris, it is important to be concrete rather than abstract about solutions to problems. Argyris encourages to work on improving communications that will reduce the number of assumptions people make in interpreting directions and actions, and to work at enabling people to really understand each other.

2.6 Softer approaches to MC

In order to tackle dysfunctional behaviours arising from MCS focusing on the "what", in the late 1970s and early 1980s, research on MC appears to have veered toward

⁶ Defensive routines are policies or actions that people or their organisations establish in order to avoid unpleasant experiences. Argyris explained that "defensive routines are thoughts and actions used to protect individuals', groups', and organizations' usual way of dealing with reality" (Argyris, 1985, p.5).

what Otley (1999, p.377) called “softer and more visionary approaches, involving the encouragement of shared values” (e.g. Hofstede, 1978, 1981; Ouchi, 1979, 1980; Flamholtz et al., 1985). Hofstede (1978, 1981) proposed a switch from a technical (i.e. cybernetic MC) to a biological paradigm in which people are no longer treated as a means. In this paradigm, which he called “homeostatic” MCS (Hofstede, 1978), the values of the actors are of primary relevance. This approach to MC is rich in rituals (e.g. symbolic activities such as meetings, memos and reports) based on a double-loop learning approach (Hofstede, 1981).

For Ouchi (1979), a key problem for organisations is obtaining cooperation between a group of people who share only partially congruent objectives. He developed an informal MC labelled “clan mechanisms”, based on the idea that individuals in organisations participate in a socialisation process that may inculcate a set of skills and indoctrinate values. Clan mechanisms establish values and beliefs through the rituals, stories and ceremonies of the group (i.e. the clan). To explain clan mechanisms, Ouchi (1979) used an example of a hospital, where task performance was characterised by ambiguity, and teamwork was common. He claimed that, in this type of environment, precise evaluations of individual contributions are almost impossible. Ouchi observed a highly formalised socialisation process in which doctors and nurses were subject not only to skills training but also to an indoctrination process. Through socialisation and common tasks, doctors and nurses acquired and enhanced not only technical capabilities, but also mutual respect and integrity.

Ouchi’s (1979) “clan control” appears to be an informal social structure that relies on a deep level of common agreement between participants on what constitutes proper behaviour. Clan control requires a high level of commitment, aiming to eliminate goal incongruence between individuals, and alignment of behaviours toward organisational objectives. According to Ouchi (1979, 1980), clan mechanisms cannot be easily formalised or structured. Rather than explicit rules, clans require implicit traditions which are not easily accessible and may take several years to learn; thus, it is complicated for new members to function effectively.

Flamholtz et al. (1985) added organisational culture and external environment to “classic” MC. They defined organisational culture as norms and values that tend to be shared by the organisation’s members, with a set of appropriate behaviours influencing their thoughts and actions. The external environment is the societal context conceived by the organisation and its members as a source of meaning and purpose. This view of culture was followed by other MC scholars (e.g. Birnberg and

Snodgrass, 1988; Dent, 1991). Merchant (1982, 1997) discussed personnel controls, including upgrading employees' capabilities through selection and placement, training and job design, and the provision of necessary resources. Personnel controls may also improve communication by clarifying expectations and encouraging peer coordination.

However, there is little empirical evidence of how organisations implement these types of "softer" approaches to MC (Merchant and Van der Stede, 2006; Cugueró-Escofet and Rosanas, 2016). According to Cugueró-Escofet and Rosanas (2016), by the mid-1980s, these MCS were "fading away" from the MC research, while "harder", economics-based approaches were taking over. One exception is Jönsson and Grönlund's (1988) study of a manufacturing sub-contractor in a mature industry. They developed a case-study drawing on Ouchi's (1977) and Argyris' (1977) theoretical frameworks, providing one of few empirical illustrations of this type of "softer" approaches to MC, in this case Ouchi's ritual control and Argyris' single-loop and double loop learning.

Empirical studies of these frameworks may provide evidence of whether organisations actually implement such "softer" MC mechanisms and why, and the consequences and unintended side effects of doing so. Nonetheless, the MC literature (Cugueró-Escofet and Rosanas, 2016) does not appear to have examined these type of "softer" approaches involving the encouragement of shared values (e.g. Ouchi, 1979; Hofstede, 1981; Merchant, 1982; Flamholtz et al., 1985) in any depth. Therefore, further empirical data and specific case analyses would make a valuable contribution to the MC literature by providing a better understanding of whether these mechanisms relate to the alignment of managerial values.

2.7 A management idea based on purpose, process and people

Bartlett and Ghoshal's (1993, 1995) studies of decentralised enterprises reveal that senior managers in this type of organisation develop a set of management ideas based on a more personalised approach that encourages a diversity of views and empowers employees to develop their own thoughts. Bartlett and Ghoshal (1995) acknowledge that vertically-integrated firms and multidivisional organisations (see Section 2.3), with hierarchical structures, a financial orientation and authority-based processes, enable the growth of corporations. However, MCS in these corporations create vertical communication channels that may insulate business units and prevent the sharing of strengths between different units, thus making corporations inflexible, slow to innovate and resistant to change. Bartlett and Ghoshal focus on

differences between the paradigm that has dominated management since the end of the Second World War (i.e. multidivisional firms with cybernetic MCS, focused on achieving the “what”) and a set of emerging ideas. They posit that modern multidivisional corporations are based on an assumption that capital is companies’ most critical and scarce resource, and that the role of employees is merely to leverage shareholders’ investment in equipment and machinery. These ideas provide the underpinning for an authority-based structure and MCS that require the implementation of plans to drive performance (Bartlett and Ghoshal, 1995). Hence, hierarchical structures and multidivisional organisations may require MCS to minimise risk by controlling the idiosyncrasies of human behaviour (Bartlett and Ghoshal, 1994, 1995). This idea connects with that of Miller and O’Leary (1990), who suggest that the individual, as a manageable and efficient entity, is “made up” in order to improve efficiency and achieve higher profits.

A problem with this philosophy is that “assumptions about the unpredictability and pathology of human behavior became self-fulfilling” (Bartlett and Ghoshal, 1995, p.134). MCS that ensure conformity may also repress creativity and initiative: “Stripped of individuality, people often engaged in the very behaviors that the system had been designed to control” (Bartlett and Ghoshal, 1995, p.134). According to Bartlett and Ghoshal (1994, p.88), “If corporate ambition begins to focus on the company’s narrow self-interest, it eventually loses the excitement, support, and commitment that emerge when objectives are linked to broader human aspirations.”

Bartlett and Ghoshal argue that underlying cybernetic MC is an assumption that the “human role in organizations is essentially passive and pathological” (Bartlett and Ghoshal, 1993, p.43). Instead, in their study of decentralised enterprises, they observe a management philosophy based on purpose, process and people. They claim that senior management’s first responsibility should be the articulation of purpose rather than strategy (i.e. why an organisation exists). Alternative, network-based (N-form) organisations are characterised by the combination of knowledge rather than its division, which is the basic principle of the M-form (Hedlund, 1994). Thus, managers in N-form enterprises start to notice that horizontal processes matter. This new structure may allow senior managers to increase communication and link with the people in their companies. According to this view, the strategy described in quantitative targets (the “what”) no longer appears to be the central focus of senior managers; hence, the aims of MCS should be broadened to include other achievements more connected with purpose and people.

Bartlett and Ghoshal (1993, p.45) propose an alternative theory based on the assumption that "individuals have the capacity for personal agency and initiative" and that organisations may create MCS to elicit and encourage such behaviour. This management idea, based on purpose, process and people, may allow an organisation to:

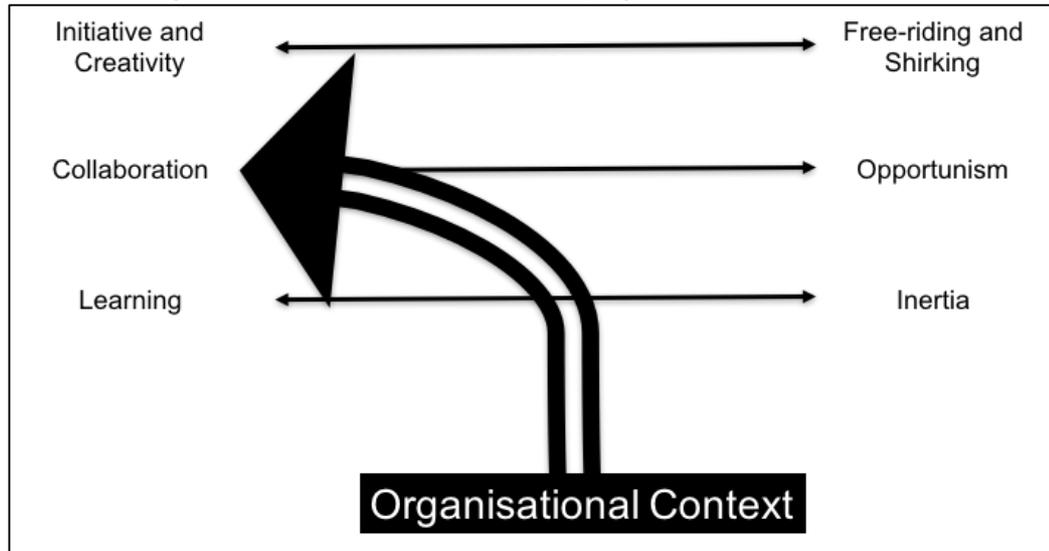
reduce its reliance on strategic-planning systems by influencing the organization's direction through the development and deployment of key people; lighten the burden of control systems by developing personal values and interpersonal relationships that encourage self-monitoring; and replace much of its dependence on information systems by developing personal communications with those who have access to vital intelligence and expertise (Bartlett and Ghoshal, 1995, p.135).

Bartlett and Ghoshal's assumption is that the diversity and unpredictability of the human spirit make initiative, creativity and entrepreneurship possible. They suggest that an entrepreneurial process may require a more positive view of human nature. Furthermore, they explain that human behaviour appears to be determined partly by the organisational context and partly by the prior disposition of the individuals involved, and that:

... human beings are capable of both initiative and shirking, that they are given to both collaboration and opportunism, and that they are constrained by inertia but are also capable of learning. Within a firm, actual behavior is determined in part by the prior disposition of actors (i.e. the location on the spectrum of personal characteristics of the particular individuals involved) and in part by the situation they face (i.e. how the firm's context influences their behavior) (Bartlett and Ghoshal, 1993, p.45).

Hence, Bartlett and Ghoshal (1995) suggest that a basic task of corporate senior managers is to recapture these valuable human attributes by individualising the corporation. According to this model, senior managers may select and promote individuals with a predisposition toward desired behaviours, but senior managers may also develop an organisational context that encourages managers to act as they would in a functional team. Figure 2.1 shows Bartlett and Ghoshal's interpretation of human behaviour and how managerial actions may help to create contexts that reinforce organisational members' learning, cooperation, initiative and creativity.

Figure 2.1: The role of context in shaping individual behaviour



Source: Adapted from Bartlett and Ghoshal (1993, p.45, Figure 6)

Figure 2.1 illustrates Bartlett and Ghoshal's idea that individuals have the capacity for personal agency and initiative, and that organisations may create MCS to elicit and encourage such behaviour. Organisation context and the appropriate MCS may mould individual behaviour, promoting managers' initiative and creativity rather than free-riding and shirking, collaboration instead of opportunism, and learning rather than inertia.

2.8 The balanced scorecard and the sophistication of the “what”

In order to continue with a chronological review of the MC literature, and because it is a framework that has been relevant to the development of performance measurement research (Neely, 2005; Franco-Santos et al., 2012; Cooper et al., 2016) and that is frequently used in contemporary organisations (Koch, 2010; Cooper et al., 2016), this section reviews the BSC, a model that may represent a sophistication of targets and measurements and, thus, an evolution of the “what”.

The BSC, developed and promoted by Kaplan and Norton (1992, 1996, 2000b, 2004), focuses on four main perspectives that incorporate both financial and non-financial performance measures: financial, customer, internal business processes, and learning and growth.⁷ It aims to translate strategy into operational terms through strategy maps that express cause-and-effect relationships both within and between the four perspectives of the scorecard. According to Kaplan and Norton (2000a,

⁷ Kaplan and Norton state that each organisation or business unit should adjust the number of perspectives and measures to the specific case under analysis. Therefore, organisations may select different perspectives, and may have more or less than four.

p.60), the key to implementing strategy is “to have everyone in the organization clearly understand the underlying hypotheses, to align all organizational units and resources with those hypotheses, to test the hypotheses continually, and to use those results to adapt as required”.

The use of non-financial performance measures, such as customer or employee satisfaction, quality and market share, is not new. For example, General Electric used non-financial measures in the 1950s (Anthony et al., 1965) and, over the years, several theorists pointed out the importance of non-financial measures (e.g. Anthony et al., 1965; Hopwood, 1973; Merchant, 1982). However, Johnson and Kaplan’s (1987) publication of *Relevance Lost* may have been a response to criticism of dependence on solely financial measures. Johnson and Kaplan (1987) claimed that management accounting information driven by financial reporting systems was “too late, too aggregated, and too distorted to be relevant for managers’ planning and control decisions” (1987, p.1).

Kaplan and Norton acknowledged that, in the information age, intangible assets such as employee knowledge, corporate culture, and managers’ skills and willingness to innovate are critical to organisational improvements (Kaplan and Norton, 2000b). Hence, they concentrated on developing a tool to measure the value of such intangible assets: “A real – and revolutionary – opportunity lies in studying and assessing how well prepared a company’s people, systems, and culture are to carry out its strategy” (Kaplan and Norton, 2004a, p.21). Thus, the BSC aims to link intangible assets with the organisation’s strategy through the learning and growth perspective. According to Kaplan and Norton, this perspective includes employee training and corporate cultural attitudes relating to both individual and organisational self-improvement. Kaplan and Norton emphasise that “learning” is more than “training”: it also includes factors such as mentors and tutors within the organisation, and the ease of communication between employees that allows them to get help readily on a problem when needed.

In order to create a BSC, an organisation’s management team translates its mission, vision and strategy into a scorecard. An implicit concept of the BSC appears to be that managers are motivated by being able to link their activities with the organisation’s strategy. According to the BSC, managers may wish to understand the causal relationship between what they do and the organisation’s mission, vision and strategy. Kaplan and Norton argue that the tool gives managers “a clear line of sight into how their jobs are linked to the overall objectives of the organization, enabling them to work in a coordinated, collaborative fashion toward

the company's desired goals" (Kaplan and Norton, 2000, p.51). Kaplan and Norton apparently pre-suppose that, simply by setting a path toward the strategy, through a cause-effect process, managers are motivated to achieve it. They appear to assume that managers will accomplish "goal congruence" by clarifying the route. The "what" seems, again, to be a central focus of the BSC framework.

Furthermore, the BSC implies a top-down approach: identifying the corporate mission, vision and strategic goals and then the drivers and measures from the four perspectives (Malina and Selto, 2001; Jazayeri and Scapens, 2008). This top-down approach appears to exclude the possibility that strategy may also emerge from within the organisation (Mintzberg, 1987). Consequently, although the BSC encompasses intangible assets such as managers' talent or motivation, its top-down approach links this framework back to the traditional cybernetic approach to MCS. Malmi and Brown (2008) call the BSC a hybrid cybernetic system that contains both financial and non-financial measures. Kaplan and Norton (1996, 2000a, 2004b) appear to elaborate the cybernetic MCS by adding "whats" from different perspectives.

The BSC is a sophisticated measurement framework that may be traced to the idea of calculative norms and standards. Moreover, as with scientific management practices, Kaplan and Norton appear to aim to make the actions of individuals visible and calculable in relation to business objectives. Edenius and Hasselbladh (2002, p.267) argue that, in the case of the BSC, "everyone's success or failure will be noticed everywhere in the organization". The manager's position may become an analytical space (Townley, 1995) for instrumental thinking and action originating from the measurement of human variables (Edenius and Hasselbladh, 2002).

Kaplan and Norton have tried to systematise and transform strategy implementation into a much more scientific task:

We do not claim to have made a science of strategy; the formulation of great strategies is an art, and it will always remain so. But the description of strategy should not be an art. If people can describe strategy in a more disciplined way, they will increase the likelihood of its successful implementation (Kaplan and Norton, 2000, p.51).

Hence, the BSC is presented as a neutral tool that translates strategy into operational terms and aims to measure intangible assets. However, akin to the text translation arena, it appears to acknowledge that there are unavoidable losses in the transfer from one language to another (James, 2002; Eco and Miralles, 2009; Bassnett, 2011). Moreover, Kaplan and Norton's top-down approach, their idea of

measuring intangible activities and, in particular, their idea of transforming activities into scientific tasks can be traced back to the scientific management philosophy, and thus to a focus on the “what”. Values seem not to be explicitly included in the BSC.

2.9 Simons’ levers of control

For Simons (1995b, 1999), desirable patterns of organisational activities include not only goal-oriented tasks, but also values and beliefs that stimulate and encourage managers to innovate and expend effort on engaging in appropriate actions to drive strategic renewal. Simons (1995b, 1999, 2005) acknowledges the importance of assumptions about people in the design and use of MCS. He argues that “because organizations are groups of people, no theory of organization can be complete unless it addresses head-on its embedded assumptions about human behavior” (Simons, 2005, p.11). Moreover, since a principal aim of MCS is to influence the behaviour of subordinates, he claims that senior managers must have an idea of what motivates people to achieve organisational goals. Therefore, every manager “makes assumptions about how people in organizations will act in particular circumstances. These assumptions are critical in determining the best designs for performance measurement and control systems” (Simons, 1999, p.12).

In Simons’ MCS framework, a basic assumption about behaviour is that individuals strive to achieve and desire to contribute what is best for an organisation, but that there are barriers in organisations that block people from reaching their potential. According to Simons (1995b, p.173), a block occurs when a company is “unsure of its purpose”, and the remedy is to “communicate core values and mission”. In order to do so, Simons proposes a mechanism that he calls “beliefs systems”, which are explicit definitions of a firm’s basic values, including how value is generated, the key tenets of the business, the level of expected results, and how individuals are expected to manage internal and external relationships. Senior managers use beliefs systems in order to communicate “core values” and to articulate the direction they want their managers to embrace (Simons, 1995b). Simons (1999) proposes that the organisation’s core values often come from the founders’ personal values and provide guidance for managers in their decision-making process, though such guidance may be vaguely formulated. For him, values should be broad and vague to allow all members of the organisation to feel included and committed. Simons explains that beliefs systems, for example in the form of a mission statement, should be appealing to senior managers, accountants, factory workers, salesmen or any other employees, regardless of their level or position. Moreover, Simons states

that, because of this vagueness, values can neither be tied to a formal incentive system nor be used as standards to measure performance (Simons, 1995b).

The concept of “core values” is further elucidated in Simons’ later work (Simons, 2010), where he explains that core values “should tell people whose interests to put first when faced with difficult choices” (Simons, 2010, pp.43-44). Such MCS generally consist of declarations of mission or vision. Beliefs systems may provide purpose and direction, and inspire managers to search for opportunities and act appropriately (Marginson, 2002).

The Japanese company, Sony offers a pertinent example of what Simons calls beliefs systems. In the 1950s, senior managers at Sony developed a complete set of values that would guide and inspire the organisation for the long term. Its mission statement was: “To experience the joy of advancing and applying technology for the benefit of the public” (Collins and Porras, 1996, p.6). Furthermore, it developed a vivid description that depicted what it sought to achieve in a vibrant and engaging way:

To become the company most known for changing the worldwide poor-quality image of Japanese products. Fifty years from now, our brand name will be as well known as any in the world [...] and will signify innovation and quality [...] “Made in Japan” will mean something fine, not something shoddy (Collins and Porras, 1996, p.12).

Simons analyses academic debate over the inherent nature of people in organisations (Simons, 1995b, 1999, 2005). He recognises that the assumptions used by economists, which are present in the functionalist paradigm (i.e. individuals are rational, self-interested, calculating, utility-maximising agents that without negative sanctions will avoid effort and evade required duties), are justifiable in specific circumstances for all people, but they may sometimes be too limiting (Simons, 1999). He also considers other views on human behaviour used by social scientists trained in psychology, sociology and organisational behaviour (e.g. Mayo, McGregor, Maslow, Herzberg, Argyris, Cyert and March), and concludes that the design and use of MCS needs “a more holistic and rounded view of human nature” (Simons, 1999, p.13).

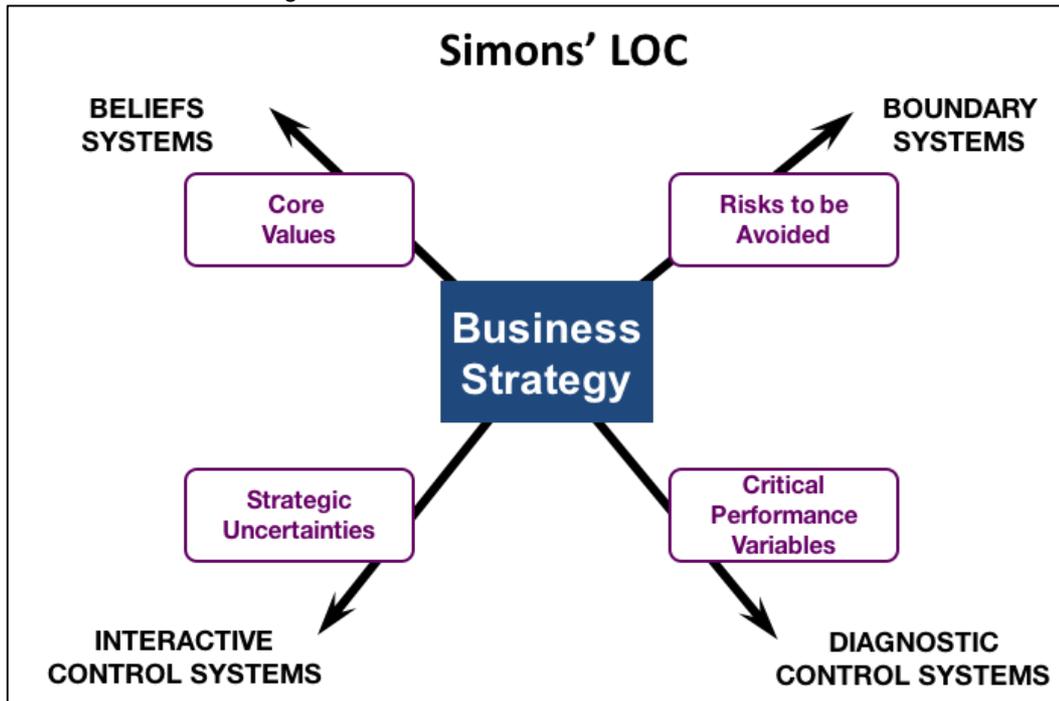
Triggered by cues and stimuli in the environment, human beings are intrinsically motivated to create situations of advantage by seeking and/or creating opportunity. In the absence of allegiances or commitment to others, opportunity-seeking behavior may be purely self-interested behavior, but strong leaders and worthwhile causes

create forces that influence the direction of opportunity-seeking (Simons, 1995b, p.26).

Therefore, Simons (1995b, 1999, 2005) makes additional assumptions about human behaviour. Beside assuming that people want to contribute what is best for an organisation, he supposes that people in organisations know the difference between right and wrong and generally choose to do right, and that employees want to create and like to innovate. However, various organisational obstacles block people from reaching their potential. According to Simons, organisations may offer temptations or create pressures to act against moral codes or to exploit the company's assets for personal use. Based on these beliefs, "to enforce positive human traits and overcome organizational blocks" (Simons, 1995b, p.26), he proposes three additional MC systems that interplay with the value systems: 1) boundaries to avoid risks; 2) diagnostic control systems relating to critical performance variables; and 3) interactive control systems to deal with strategic uncertainties. Figure 2.2 illustrates the LOC framework.

Simons argues that using the LOC may help managers to reconcile divergent forces. He uses the metaphor of the "yin and yang" of Chinese philosophy, in which opposing forces are constantly searching for an active balance (Simons, 1995b). In business dynamics, the need to empower employees works against the wish to avoid unpleasant surprises; the hope of meeting customer needs struggles against the objective of keeping things on track; standardisation opposes customisation; top-down strategy opposes the need to be customer- and market-oriented, and so on.

Figure 2.2: The levers of control framework



Source: Adapted from Simons (1995b)

Simons highlights tensions between what he calls the “old” approach (i.e. traditional control techniques such as cybernetic systems, top-down strategy setting, results according to plan, no surprises, and keeping things on track) and the “new” approach (i.e. market-driven strategy, customisation, continuous improvement, empowerment). He asks: “How can empowerment and customization be reconciled with management controls that seek to standardize and ensure that outcomes are according to plan?” (Simons, 1995b, p.4).

For Simons, the power of LOC in balancing such tensions lies not in how each lever is used by itself, but rather in the way the four levers complement each other when used together. He explains that beliefs systems and boundary systems, together, aim to frame the strategic domain for an organisation (Simons, 1995b). According to Simons, diagnostic control systems and interactive control systems guide the implementation and formulation of an organisation’s strategy. Also according to Simons, the joint use of beliefs systems and interactive control systems motivates managers to creatively search and expand opportunities —i.e. create a positive information environment that encourages information sharing and learning. Finally, the use of boundary systems together with diagnostic control systems constrains the domain for opportunity-seeking and allocate scarce attention by providing formula-based rewards (Simons, 1995b; 1999). However, Simons does not elaborate on the use of a diagnostic control system together with a beliefs system;

according to his framework, values cannot be tied to a formal incentive system or be used as standards to measure performance.

In addition to the tension between self-interest and a desire to contribute, Simons (1995b) explains two other main tensions that may be managed and balanced by senior managers: unlimited opportunity versus limited attention, and intended versus emergent strategy. These three tensions are dynamic, because constant and diverse strategic forces act both internally and externally, modifying MCS and disturbing the company's objectives (Bruining et al., 2004; Henri, 2006b; Mundy, 2010). Two control levers, beliefs systems and interactive control systems, create positive and inspirational forces to balance the tensions. These are the "yang": forces representing sun, warmth, and light. The other two levers, boundary systems and diagnostic control systems, are the "ying": forces that create constraints and ensure compliance with orders (Simons, 1995b, pp.7-8).

Effective managers use control systems selectively to balance the inherent tensions between (1) unlimited opportunity and limited attention, (2) intended and emergent strategy, and (3) self-interest and the desire to contribute. Underlying these tensions is the desire to do right, to achieve, to contribute, and to create. To unleash this potential, managers must overcome organizational blocks. Management control systems play an important role in this process (Simons, 1995b, p.28).

Figure 2.3 summarises Simons' assumptions about human nature, the associated organisational blocks, and the respective balancing levers of control that generate managerial solutions.

Figure 2.3: Assumptions about human nature, organisational blocks and levers of control

Assumptions about Human Nature	Organisational Blocks	Managerial Solution	Control Lever
People want to do right	Pressure or temptation	Specify and enforce rules of the game	Boundary systems
People want to contribute	Uncertainty about purpose	Communicate core values and mission	Beliefs systems
People strive to achieve	Lack of focus or of resources	Build and support clear targets	Diagnostic control systems
People desire to create and like to innovate	Lack of opportunity or fear of risk	Open organisational dialogue to encourage learning	Interactive control systems

Source: adapted from Simons, (1995a, p.83)

In traditional MCS, the nature of human beings is treated as an exogenous variable, a factor independent of the design or use of the control system. Simons, like Bartlett and Ghoshal (1993), takes a different approach. Rather than accepting human nature as an exogenous restriction, he views people as an endogenous choice variable in the design of organisations (Simons, 2005).

However, scholars have criticised beliefs systems, particularly when implemented with broad or vague statements such as missions, visions or companies' slogans, for playing an insignificant role in shaping actions or influencing behaviours (e.g. Argyres and McGahan, 2002; Chenhall et al., 2014). Furthermore, Simons' beliefs systems appear to represent a top-down, hierarchical process in which senior managers define core values, giving employees at lower levels of the organisation little opportunity to express their own opinions or beliefs (Chenhall et al., 2014). Hence, Simons' LOC raise issues that, as will be discussed later, appear to be both under-developed and under-researched. For example, while Simons (1995b, 1999) outlines the possible formal ingredients of a beliefs system (e.g. mission and vision statements), it remains unclear what mechanisms or processes may be involved in their implementation, or what may be the intended and unintended consequences of implementing value systems. It also remains unclear whether an MCS may play a more active role in shaping behaviours and generating "value congruence", moving beyond the passive role of mission statements and values described by Simons (Chenhall et al., 2014).

LOC also seem to fail to explain the role of informal MC in shaping behaviours (Marginson, 1999). LOC attach insufficient importance to social-ideological controls (Collier, 2005; Ferreira and Otley, 2009) or to the unexpected or unintended consequences of using beliefs systems in attempting to shape organisational sub-cultures (Scheytt and Soin, 2005), Collier (2005) especially notes the disregard for group norms and culture, which appears to be relevant to what the research described in this thesis refers to as the "how". Scheytt and Soin (2005) argue that these shortcomings are due to Simons' erroneous conceptualisation of culture. They explain that "the suggestion that the belief system is a lever that can be employed to control an organization by defining (new) shared values and beliefs does not reflect the full complexity of organizational culture" (Scheytt and Soin, 2005, p.198).

Simons' framework has been promoted as a consulting tool (Ten Have et al., 2003) and appears turning normative. For example, Simons' claims that if organisations use the four LOC as the framework suggested, 'return-on-management' will be

maximised (Simons and Davila, 1998; Simons, 1999). In other words, organisations will get the best possible performance out of managers. However, it seems that this claim has not been empirically investigated.

In the LOC model, senior managers communicate core values through beliefs systems to articulate the direction the organisation wants its managers to embrace. This raises further issues relating to the LOC that seem under-developed and under-researched. It remains unclear whether an MCS based on organisational values may move forward by aiming not just to align the “what” but also the “how”, or whether the use of beliefs systems and their interplay with other MCS may be used to influence the “how”. The next section reviews research following Simons’ LOC to understand how recent scholars have dealt with these issues.

2.10 Recent research on the use of MCS to align managerial values

The LOC framework has been influential, especially for practitioners (Frow et al., 2005; Henri, 2006b), and its importance continues to grow among researchers (Kruis et al., 2015). Beliefs or value systems have been identified as a lever that helps senior managers to influence people to perform a particular task or target in ways that are consistent with the organisation’s values (Marginson, 2009), or to influence human development (Rosanas and Velilla, 2005). However, compared with the other levers, relatively little research has addressed beliefs systems (Davila, 2010; Tessier and Otley, 2012; Martyn et al., 2016).

The extant literature acknowledges that value systems are positive and inspirational tools that serve to guide and motivate behaviour through the use of broad, value-laden concepts (Mundy, 2010). Rather than prescribing behaviour, value systems allow employees to engage in spontaneous and responsive actions consistent with the firm’s stated core values (Quinn and Rohrbaugh, 1983; Henri, 2006b; Heinicke et al., 2016). Similarly, empirical research provides evidence that value systems are mechanisms that may influence managers in an organisation to be committed to acting in accordance with the company’s values. For example, value systems may lead to more entrepreneurial activity (Marginson, 2002; Bruining et al., 2004) and may play a key role in generating ideas and guiding the strategic agenda (Marginson, 2002). Bruining et al. (2004) find that, following a management buy-out, formalised beliefs may stimulate intrapreneurship activities and may support the required culture of customer focus and quality-control orientation. From a survey of middle managers in a global communications industry, Marginson and Bui (2009) conclude that social norms promulgated by beliefs systems may create cost

consciousness more effectively than a budget system. The importance of developing bonding around the organisation's core values is stressed by Chenhall et al. (2010), Platts and Sobótka (2010) and Adler and Chen (2011). Value systems may also stimulate managers' intrinsic motivation and may develop a strong bond of trust between employees at all levels (Platts and Sobótka, 2010; Adler and Chen, 2011). Formal communication of the purpose and values of a project (e.g. CSR strategy) may foster a sense of community, unite employees around shared values, encourage and, hence, generate actions linked with promoted ideas (Arjaliès and Mundy, 2013).

In the context of LOC research, value systems are important because they may influence the remaining levers of control (Widener, 2007; Mundy, 2010), and may be a key integrating system for organisations with a flexible culture (Tuomela, 2005; Mundy, 2010; Speklé et al., 2015; Heinicke et al., 2016). According to Heinicke et al. (2016), since the extant literature suggests that firms adapt their MCS to their cultural values (e.g. Markus and Pfeffer, 1983; Bhimani, 2003; Henri, 2006a), organisations will increasingly emphasise the use of beliefs systems to move toward a more flexible culture.

Surprisingly little is known about how value systems are used to effect cultural change (Collier, 2005; Marginson, 2009; Martyn et al., 2016). Hence, Marginson's (2009) study of value systems acquires relevance. In his case-study, top managers used a value system to effect organisational change by espousing a new set of normative values that should inform managers' decisions and actions, particularly in trade-off situations (Marginson, 2009). A UK-based communications company implanted a value system through a mission statement, newsletters and other similar documents; the study also observed the use of email and various socialisation mechanisms, such as programme positions, strategy days, team briefs and roadshows, to encourage espousal with organisational values and align employees' behaviour. Marginson (2009) argues that this value system attempted to influence the "how":

The company's approach to changing mindsets through focusing attention on the "hows" (working practices) [...] provides evidence on a more process-orientated value system than is normally envisaged (Marginson, 2009, p.19).

While the engineered programme did improve value congruence through the careful use of several processes established to communicate the values and social forces, the study points to some negative outcomes, including an increase in social tension.

Therefore, Marginson's (2009) research presents evidence that value systems generate not only intended effects, such as the internalisation of values among managers (i.e. value congruence), but also undesired side-effects such as disagreement among managers and disruption to the social hierarchy. While Marginson's (2009) study contributes to the MC literature by providing some evidence of the purpose, implementation and effects of value systems, further insight is needed from evidence of whether value systems may be used to communicate a set of quite specific values. The ambivalence of Marginson's (2009, p.7) findings, that value systems "may be as problematic to the firm as it is beneficial", shows that the purpose, implementation and effects of value systems require further exploration. Furthermore, Marginson (2009) concludes that the organisation's desired outcome from the use of value systems was only partially realised; it also presented undesired side-effects. Thus, there appears to be a need to expand Marginson's (2009) findings, presenting empirical evidence to provide a deeper understanding of the use of value systems to influence the "how" and their desired or unintended consequences.

Other studies appear to acknowledge some positive effects of senior managers' use of MCS to align managerial values. For instance, Sobotka and Platts (2010) suggest that value systems may substitute for performance measures. Through a case-study, they identify the importance of communicating company values to achieving a sense of control in the absence of performance measures. Their study suggests that, by giving responsibility and offering appropriate support, managers may channel employees' enhanced motivation toward meeting wider organisational goals. Sobotka and Platts (2010) argue that excellence can be achieved through practices based on shared values linked to motivation, trust and a common sense of mission, without the need to install individual performance measurement systems based on cybernetic principles. In a similar study, Platts and Sobótka (2010) find that the managers of a market-leading German energy distribution company did not use performance measures to manage the performance of their employees; rather, they sought to achieve operational excellence through MC mechanisms based on trust and responsibility. Platts and Sobótka's (2010) research explores a company that did not use extrinsic motivation based on measuring individual performance, but rather a value system to enhance intrinsic motivation. They find that a culture of shared values and a common mission may generate a strong bond of trust between employees at all levels. However, they warn that:

Trust takes time, patience, and consistent behaviour to build, but it is fragile and can easily be destroyed. [...] Thus, companies which consider introducing individual performance measurement should be careful since the practice of measurement may undermine a previously established relationship based on trust (Platts and Sobótka, 2010, p.356).

Heinicke et al. (2016) use Zappos, a US apparel maker which claims to deliver happiness to its employees with its ten core values, to illustrate a beliefs control system (Simons, 1995b). This was used by top managers to define, communicate, reinforce purpose and motivate employees to engage in opportunity-seeking behaviour consistent with the firm's stated core values (Heinicke et al., 2016). However, they rely only on company videos, without presenting empirical evidence of how Zappos' beliefs system actually achieved the intended effects.

Chenhall et al. (2010) analyse some unintended side-effects of the use of value systems. They find that active use of beliefs systems may help to manage and maintain employees' identification with core values and lead to strong bonding with the organisation, but may inhibit openness to bridging with other organisations. Chenhall et al. (2010) studied an Australian welfare agency where the implementation of a beliefs system also presented a conflict between the financial targets and the organisational values, which generated stress and discomfort among managers.

Value systems may interplay with other MCS to influence the "how". According to Mundy (2010), managers may fulfil their role by creating dynamic tensions through a balanced use of the four LOC. Mundy (2010) explicitly assumes that individuals fulfil their own goals by contributing to organisational purpose. Following Simons (1995b), she recognises that organisations "face a conflict between the desire of employees to contribute to the organisation versus self-interests that are incompatible with the organisation's goals". However, her research demonstrates that these conflicts may be "minimised by the ways in which the directors used the levers of control" (Mundy, 2010, p.513).

Kennedy and Widener (2013) find that beliefs systems intertwine with mentoring and peer pressure to achieve organisational socialisation, which is "a process by which an individual comes to appreciate the values, abilities, expected behaviours, and social knowledge essential for assuming an organizational role and for participating as an organizational member" (Louis, 1980, pp.229-230). According to Kennedy and Widener (2013), mentoring is an MCS through which superiors may provide guidance, coaching and encouragement to selected subordinates. The

authors suggest that peer control may be an effective means of sharing goals. They claim that, since people work in teams, pressure among peers ensures that all members of the group work toward shared goals.

The combination of these three MC tactics – beliefs systems, mentoring and peer pressure – may generate a learning process that helps make managers more comfortable in their work environment (Kennedy and Widener, 2013). Based on survey data on 354 employees of a defence contractor in the US, Kennedy and Widener (2013) claim that when the work environment is uncertain, managers may experience discomfort and dissatisfaction. Thus, organisations may develop a secure work environment that frees employees to focus on work tasks and enables them to look to the future. They argue that using beliefs systems, mentoring and peer pressure as socialisation control mechanisms allows managers and subordinates to learn about each other to build trust and reduce the uncertainty inherent in the exchange process (Kennedy and Widener, 2013).

A focus on the use of MCS in aligning managerial values is consistent with emerging MC research on the “expressive dimensions” of organisational life (e.g. Ahrens and Mollona, 2007; Boedker and Chua, 2013; Chenhall et al., 2014). This expressive purpose uses MCS to help individuals to express their values, commitment and faith through their work in organisations. This literature analyses the influence of sub-cultures on formal MCS and how practices of control enable organisational members to pursue diverse objectives relating to their wider cultural aspirations (Ahrens and Mollona, 2007). It also analyses how formal MCS may be a means through which managers’ levels of engagement and emotions can be moulded and managed (Boedker and Chua, 2013), and how formal MCS may be used to express the values and beliefs of organisational members (Chenhall et al., 2014).

Chenhall et al.’s (2014) findings in the case of a mental health hospital suggest that, if MCS operate in an environment in which mistakes are tolerated and experimentation is encouraged, the use of MC mechanisms may help employees to express and discuss their values. The authors add that the expression of employees’ values may shape behaviour in ways that aid the collective achievement of organisational objectives. The aim of the “expressive dimension” is to reduce conflict so as to aid the achievement of business objectives (Boedker and Chua, 2013; Chenhall et al., 2014).

However, less interest has been shown in the alignment of managerial values with those of the organisation (the “how”). The “expressive role” literature focuses on how MC mechanisms help employees to express their own values (not related to those of the organisation), and how this expression may be used to achieve the “what”. Nonetheless, researchers on “expressive dimensions” acknowledge a need to understand how value systems are implemented and how other MC mechanisms are used in ways that enable organisational members to express their beliefs or align their values with those of the organisation (Chenhall et al., 2014).

In summary, the importance of value systems is acknowledged in recent MC literature, and scholars recognise that its relevance for the way organisations work continues to increase (Marginson, 2009; Kennedy and Widener, 2013; Heinicke et al, 2016). Research suggests that value systems may have important benefits at the individual and organisational level, by leading to more entrepreneurial activity (Marginson, 2002; Bruining et al., 2004), stimulating intrinsic motivation (Platts and Sobótka, 2010; Adler and Chen, 2011) and enhancing employees’ enthusiasm for meeting wider organisational goals (Sobotka and Platts, 2010), as well as by guiding the strategic agenda (Marginson, 2002), helping the organisation to move toward a more flexible culture (Tuomela, 2005; Collier, 2005; Marginson, 2009; Mundy, 2010; Speklé et al., 2015; Heinicke et al., 2016; Martyn et al., 2016) and developing bonding around the organisation’s core values and trust between employees at all levels (Chenhall et al., 2010; Platts and Sobótka, 2010; Adler and Chen, 2011; Kennedy and Widener, 2013).

Marginson’s (2009) study is one of few that take an organisational approach to changing mindsets by directing attention to the “how” rather than the “what”. In his study, “value congruence” appears to be as relevant as the “what” (Marginson, 2009). Further research is needed to understand whether organisations use value systems mainly as a medium to achieve the “what”, or whether “value congruence” or the development of human potential may be as important as strategic aims or “goal congruence”.

Moreover, the MC literature has so far paid little attention to the unintended side-effects of using value systems. Only Marginson (2009) and Chenhall et al. (2010) appear to have highlighted the dysfunctional behaviours provoked by the implementation of value systems. This suggests that more research is required to understand the consequences of attempts to influence the “how” and the unintended side-effects of using value systems.

Similarly, according to Martyn et al. (2016, p.11), “national culture is likely to impact on the use of MCS and the presence of formal beliefs systems, for example, may vary in emerging economy countries”. They identify a research opportunity and challenge scholars to examine whether the LOC, developed on the basis of findings in US companies, “provide a useful lens to examine the use of MCS in emerging economy organisations” (Martyn et al., 2016, p.12).

Value systems alone, or value systems interplaying with other control mechanisms, may influence the “how” (Marginson, 2009; Platts and Sobótka, 2010; Heinicke et al., 2016). However, the recent literature relating to LOC presented in this section shows that further exploration is required into how MCS are used to influence the “how”. Furthermore, there has been little systematic exploration of processes for implementing value systems in order to attempt to influence the “how” (Collier, 2005; Marginson, 2009; Martyn et al., 2016). Even less is known about the consequential intended effects and undesired side-effects of using MCS to shape the “how”. Exploring this phenomenon in depth is the main motivation of the research described in this thesis.

2.11 Spiritual literature, its approach to goal congruence and ideological controls

Some (e.g. Arnold, 1998) argue that, in understanding and interpreting their situation, managers at work take into account all aspects of their lives, including their lives as parents, family members, employees and members of a community. This consideration of the way the whole person affects how we work has been given attention over recent years as generational values around work-home balance change, and in terms of the management practices of organisations that are explicitly looking to work with a broader notion of how their employees think and act.

In attempting to align managerial values with organisational values, some companies seek to influence how employees think about living their lives (e.g. Hsieh, 2010; González, 2015). Scholars studying normative organisations (e.g. Kraus et al., 2016) argue that MCS that rely on an ideology may help employees to visualise how their work fits into their idealised vision of their lives. Kraus et al. (2016) label these mechanisms “ideological controls”, meaning MCS that target employees’ beliefs, emotions and values using symbols, rituals and verbal communications of the organisational ideology.

Cooper (2015) criticises organisations that use the rhetoric of ethical business while causing, through their MCS, intense work measurement and unprecedented

discipline to influence their personnel to increase their workload, leading to stress and fear of being fired. She reminds researchers that MCS should consider other human characteristics, such as empathy, compassion and sexuality (Cooper, 2015). Karakas (2010) acknowledges that it is important to take into account managers as whole persons, including their emotional, intellectual and spiritual needs, values, priorities and preferences. Hence, this section reviews the spiritual literature and its approach to goal congruence, linking it subsequently with “ideological controls” (Kraus et al., 2016).

As previously explained, discrepancies between interests, where individuals pursue personal goals that differ from, or even contradict, organisational goals, may jeopardise the achievement of a company’s fundamental objectives. Therefore, some companies, recognising that managers working in organisations also have a spiritual dimension, use spiritual practices and metaphorical religious language to link their organisational objectives with managers’ motivations. For example, mission and vision statements may be “redolent with theological meaning” (Vinten, 2000, p.21). Direct-selling organisations, such as Tupperware and Mary Kay, have been described as “quasi-religious” (Bromley, 1998), and some advertising and direct marketing businesses use evangelical techniques that would be familiar to members of a church (Bell and Taylor, 2003).

Moreover, numerous other organisations seek to increase managers’ spiritual awareness by introducing religious, spiritual or cultural exercises at work. For instance, Southwest Airlines’ top executives claim that the company’s success is founded on friendliness, individual pride, love and soul (Milliman et al., 1999), and companies such as Ben and Jerry’s and The Body Shop, through social responsibility initiatives, emphasise the importance of spirituality and ethical business principles (Bell and Taylor, 2003). Exploring the soul at work in order to achieve goal congruence appears to be driven by a belief explained by Mitroff and Denton (1999):

Unless organizations become more spiritual, the fragmentation and ambivalence felt by individuals cannot be repaired. Unless organizations become more spiritual, they cannot reap the benefits of the full and deep engagement of their employees, their so-called most valuable resource. In the plainest terms, unless organizations not only acknowledge the soul but also attempt to deal directly with spiritual concerns in the workplace, they will not meet the challenges of the next millennium (cited in Bell and Taylor, 2003, p.334).

By recognising the spiritual dimension as an integral part of human nature, the religious-type discourse apparently strives to reconcile individual and organisational interests. This discourse reinforces the idea of work as providing a notion of self-actualisation (Maslow, 1943) and enhances managers' attitudes toward work, with the intention that this will improve motivation and have an impact on organisational performance. A further claim is that work may represent a secularised vocation, and managers may be encouraged to find meaning in their work. Bell and Taylor (2003, p.330) argue that the religious-type discourse "provides a means of elevating the meaning of work through construction of a potential transcendent purpose or moral virtue". Similarly, in his organisation theory, Pérez López (1993) includes "transcendent motives", which are motivations based on a genuine interest in what happens to others, even to the extent of setting aside, or regarding as secondary, one's own interests. According to Pérez López (1993), managers with transcendent motivation are willing to act because of the benefit they expect others to experience as a consequence of their behaviour.

In order to understand how spirituality supports organisational performance, based on a review of 140 papers on workplace spirituality, Karakas (2010) argues that spirituality enhances managers' well-being and quality of life, provides managers with a sense of purpose and meaning at work, and gives workers a sense of interconnectedness and community. Karakas (2010) suggests the need for a paradigm shift in management theory and practice, from an economic focus toward a balance of profit, quality-of-life, spirituality and social responsibility concerns, including a shift from self-interest to service and stewardship, and from a materialistic to a spiritual orientation. He calls this new paradigm that is emerging in organisations "the spirituality movement", which Ashmos and Duchon (2000, p.134) describe as "a major transformation" whereby companies make room for the spiritual dimension, which has to do with meaning, purpose and a sense of community.

Spiritual discourse as an approach to goal congruence aligns with the literature on transformational leadership (Bass, 1991; Bass and Steidlmeier, 1999; Bass and Riggio, 2006) and its assumptions about human nature. Transformational leadership occurs when senior managers widen and elevate the interests of their subordinates by generating awareness and acceptance of the purposes and mission of the group. The main idea is to help managers to look beyond their own self-interests for the good of the group (Bass, 1991). Transformational leaders have charisma and provide inspiration, intellectual stimulation and consideration of

individuals. Bass and Steidlmeier (1999) go further, claiming that transformational leadership achieves value congruence, agency and cooperative action by sharing with followers what both leaders and subordinates will regard as right and good.

Sendjaya et al. (2008) claim that contemporary organisations are plagued by systemic problems of leadership, epitomised by cases such as Enron, Worldcom, Tyco and other companies in the US and around the world. According to Sendjaya et al. (2008), servant leadership is an emerging leadership approach that appears more relevant and timely than other value-laden leadership approaches in the present context (Greenleaf, 1977). Servant leadership (the leader as a servant) is a holistic model that incorporates follower-oriented, service, spiritual and moral dimensions and seeks to encourage managers' learning, growth and autonomy (Fry, 2003; Sendjaya et al., 2008).

Fry (2003) explains that the ultimate purpose of spiritual leadership is to foster higher levels of organisational commitment and productivity by creating a vision and value congruence across strategic, empowered teams and individuals. Spiritual leaders motivate followers by getting in touch with their core values and communicating them through personal actions to create a sense of spiritual survival through calling and membership (Fry, 2003). These spiritual values and practices also allow senior managers to achieve organisational goals, lower turnover rates and improve managers' health (Reave, 2005). Reave (2005) argues that further empirical research is needed on the effect of spirituality; much of the current research in this area focuses on the values of spiritual leaders, but an empirical approach is required that analyses the consequences for followers of attempts to influence by spirituality.

However, spiritual approaches have also been criticised by scholars who argue that they reflect an ideology of work that relies on colonisation of the self (e.g. Bell and Taylor, 2003; Tourish, 2013). A discourse that emphasises work as having the potential to fulfil all human needs, including physical, emotional and existential needs, may have potential effects on organisational power relations arising from the emergence of this latest affective form of management:

The theme of measurement and management leads us to suggest that workplace spirituality represents an attempt to mobilize the individual to serve the interests of the organization through the construction of a regime of truth based on ideas about potential, growth, purpose, meaning and community (Bell and Taylor, 2003, p.337).

Bell and Taylor (2003) link this critique to techniques associated with the notion of pastoral power, a form of influence that looks after individuals throughout their entire lives (Foucault, 1982). According to this idea, organisational spirituality “relies on religious technologies of subjectivity, such as the retreat and the confessional, through which managers act upon the moral and existential values of the individual in an indirect yet powerful manner” (Bell and Taylor, 2003, p.342).

Karakas (2010) adds two further problems to spiritual approaches in organisations and to the use of MCS to influence behaviour linked to spiritual values. The first major problem is the danger of proselytism. A potential danger of spiritual manifestation in organisations is the risk of proselytising people with different religions or views (Krishnakumar and Neck, 2002) or using spiritual beliefs to exclude others, affecting respect for inclusivity at work (Karakas, 2010). Connected with this risk are concerns that people may feel dissatisfied and frustrated, unable to express their own spirituality or unrespected for their diversity (Cavanagh, 1999; Krishnakumar and Neck, 2002). Indoctrination may lead to coercion, favouritism, intolerance or discrimination (Karakas, 2010). The second major problem is the issue of compatibility. Some managers may perceive that spiritual tactics are “too personal”, that their privacy is being invaded, and that they are under pressure (Cavanagh, 1999; Karakas, 2010).

Kraus et al. (2016) explicitly link ideology and spiritual discourse with MCS. They studied a health centre operating as a non-governmental organisation (NGO) that was “dependent on an ideology, emphasising the importance of helping severely poor people in rural areas and pride in doing God's work, which the employees and the manager appear to subscribe to” (Kraus et al., 2016, p.13). The organisation's MCS targeted managers' values, beliefs and emotions. In stressing the relevance of managers' thoughts about their lives, the authors suggest that managers sought to “win the ‘hearts and minds’ of employees: to define their purposes by managing what they think and feel, and not just how they behave” (Willmott, 1993, cited in Kraus et al., 2016, p.13). In their case-study, Kraus et al. (2016) suggest that “ideological talk” (i.e. face-to-face dialogues between managers and their subordinates about ideological themes relating to the organisation's ideology) gave senior managers a powerful instrument of MC. The interplay of ‘ideological talks’ with financially-oriented formal MCS appeared to develop a strong and articulated organisational identity. According to Kraus et al. (2016), ideological controls may also help senior managers to reduce resistance to the implementation of financially-

oriented formal targets and to manage tensions between financial objectives and social ideals.

This review reveals gaps in the literature on spiritual practices and ideological controls. The MC literature appears to have paid little attention to how organisations use ideological controls to steer managers' behaviour indirectly by influencing their underlying experiences, thoughts and feelings. As previously mentioned, recent MC research on "expressive dimensions" (e.g. Boedker and Chua, 2013; Chenhall et al., 2014) emphasises the active role that MCS may play in encouraging employees to express their emotions and values, but pays less attention to how senior managers use ideological controls to align managers' beliefs, emotions and values with those of the organisation. Moreover, further investigation is required on ideological controls relating to senior managers' use of rituals and symbols, and "ideological talks" through which they target managers' values. Kraus et al. (2016, p.16) claim that "there is much scope for future research to specify and contextualise the interplay between ideological control and formal MCS". Further research is also needed on how ideological controls play out in larger public and profit-oriented organisations (Kraus et al., 2016).

2.12 HR practitioners' trend for performance appraisals

In 2014, the software company, Adobe Systems abolished its performance management system (PMS) based on a cybernetic approach of setting goals and measuring achievement, integrated by the annual review process and a forced ranking system. Adobe Systems' Vice President of People Resources, Donna Morris called this movement "disruptive in HR" (Hinds et al., 2014). The main reason for eliminating the system was that the annual review process was not real-time and did not help identify and address issues on a timely basis. According to Hinds et al. (2014), Adobe believed that in annual performance reviews, managers tended to focus on what their subordinates had done in the few weeks or months leading up to the evaluation, rather than on what had been done over the duration of the year. Furthermore, the evaluation ranking system maximised individual success, often at the expense of the team: "While Adobe prided itself on creating a team-based work environment, stack ranking threatened effective teamwork and collaboration because it pitted employees against one another" (Hinds et al., 2014, p.1).

Adobe refers to its new approach as "check-in", which is intended to ensure that managers receive feedback on an ongoing and frequent basis. Its two main objectives are to "set, track, and review clear expectations/goals (what and how)

and clarify roles, responsibilities, and success criteria frequently throughout the year” (Hinds et al., 2014, p.5), and to focus on managers’ development: “provide opportunities to develop and increase skills, knowledge, and experience in employee’s current role in alignment with business needs and individual aspirations” (Hinds et al., 2014, p.5).

The consulting firm, Deloitte conducted a survey of 2,532 business and HR leaders in 94 countries (Deloitte, 2014), finding that more than half of the surveyed executives (58%) believed that their current performance management approach drove neither managerial engagement nor high performance (Barry et al., 2014). Based on these results, Deloitte decided to redesign its own PMS (Buckingham and Goodall, 2015). Its new system has no cascading objectives, no once-a-year reviews and no 360-degree-feedback tools. The firm’s HR leaders argue that the new design makes it much simpler to manage people’s performance, focusing on speed, agility, one-size-fits-one and constant learning (Buckingham and Goodall, 2015).

Following the experiences of Adobe and Deloitte, the *Harvard Business Review* picked up on this new HR trend (e.g. Buckingham and Goodall, 2015; Rock and Jones, 2015a, 2015b; Cappelli and Tavis, 2016; Kenny, 2016). According to Cappelli and Tavis (2016), more than a third of US companies are replacing annual reviews with frequent, informal check-ins between managers and employees. They explain that technology companies such as Adobe, Juniper Systems, Dell, Microsoft and IBM led the new approach, followed by professional services firms such as Deloitte, Accenture and PwC, and then companies in other industries like Gap, Lear and OppenheimerFunds (Cappelli and Tavis, 2016). The reasons to which organisations refer for moving away from conventional PMS appear to relate to attaining not just the “what”, but also the “how”. Rock and Jones (2015b) argue that the nature of work is changing, as “numerical performance management systems don’t take into account how work gets done today” (Rock and Jones, 2015b, p.3), so companies require PMS that take into account the need for better collaboration, to attract and keep talent and to develop people faster.

Capelli and Tavis (2016) argue that this movement is a continuation of McGregor’s (1957) “Theory Y”, which assumes that managers want to perform well and will do so if supported properly. However, they claim that “McGregor noted one drawback to the approach he advocated: doing it right would take managers several days per subordinate each year” (Capelli and Tavis, 2016, p.5). Hence the authors infer that, owing to these difficulties, companies may continue to take cybernetic and

quantitative approaches. However, now that organisations have increasing needs for flexibility, self-organisation and quick responses to customers, new performance management developments appear to be taking on McGregor's assumptions and ideas (Capelli and Tavis, 2016).

Adler et al. (2016) propose a counter-argument to HR practitioners' calls to abolish performance appraisal systems, explaining that ratings and differentiated evaluations have many merits for improving performance, and that changing the rating process is likely to have minimal effects on the performance management process as a whole. Grote (2005) states that abandoning unpopular appraisal systems is easier than replacing them. He argues that managers still need to figure out who is doing well: "What we're left with is a problem. It's important that people's performance be evaluated so they know where they stand" (cited in Brustein, 2013).

2.13 Conclusions

MC is a behavioural issue. Senior managers seek to align managerial endeavours with the organisation's aims and objectives. This has traditionally been about the "whats" (Euske et al., 1993): influencing the behaviour of individuals working in an organisation by seeking to align their interests with the company's by using quantitative targets and cybernetic MCS. It has been claimed that these control systems have caused dysfunctional behaviours in organisations. In the late 1970s and early 1980s, scholars on MC (e.g. Hofstede, Ouchi, Flamholtz) proposed more "softer" approaches involving the encouragement of shared values to tackle dysfunctional behaviour, which may be seen as early antecedents of what is referred to in this thesis as the "how". However, the accounting and MC literature privileges economics-based research approaches, and there appears to have been little management control research on whether organisations are actually implementing "softer" approaches or other mechanisms that, in addition to the traditional "what" measures, may also attempt to align behaviour through direct intervention in and monitoring of values, including managerial values. In recent years some organisations have expanded the scope of their scrutiny of their managers and subordinates to achieve not only the traditional "what" but to see values in their broadest sense as part of the corporate agenda so that issue of how people are encouraged and permitted to be becomes part of the organisation's explicit aims and objectives. Therefore, it can be argued that it is important to understand how MC is responding to the challenge of managing values.

Previously there has been a focus on how behaviour is being managed in work such as Bartlett and Ghoshal's (1993, 1994, 1995) studies that reveal that some organisations have moved to structures based on knowledge, rather than on the basic principle of division used by multidivisional companies, and from a focus on strategy and the use of cybernetic systems to an approach based on purpose and people. Bartlett and Ghoshal (1993) and Simons (1995b, 1999, 2005) also claim that a different view of human nature in the workplace is required to meet current corporate challenges.

For Simons (1995b, 1999), desirable patterns of organisational behaviour include not only goal-oriented activities, but also values that encourage managers to undertake endeavours to drive strategic renewal. He explains that senior managers use beliefs systems in order to communicate "core values", and to motivate, and especially inspire, employees to search for, create and expend effort on engaging in appropriate actions (Simons, 1995b). Implementing beliefs systems involves various information-based mechanisms, including mission statements, newsletters, memoranda, workshops and similar social events (Marginson, 2009). Moreover, Simons (1995b) proposes three additional MC systems that interplay with beliefs systems aiming to achieve strategic aims and business objectives and balance tensions: 1) people being self-interested and wanting to contribute to the organisation's mission; 2) unlimited opportunity versus limited attention; and 3) intended versus emergent strategy.

Research has acknowledged that the power of the LOC framework lies in how the four levers are used together (e.g. Simons, 1994; Frow et al., 2005; Mundy, 2010). Evidence suggest that the joint use of value systems and interactive control systems may facilitates innovation, increase managers' commitment to an organisation's vision and create a positive information environment that encourages information sharing and learning (Bisbe and Otley, 2004; Tuomela, 2005; Mundy, 2010). Similarly, senior managers combine boundary and value systems to frame strategic domains and articulate limits around the strategic opportunities available to a company (Roberts, 1990; Mundy, 2010). However, this literature review did not find any empirical study focusing on the use of beliefs systems together with diagnostic control systems or in the quantification of an organisation's core values.

Although value systems are identified as a lever of control that helps senior managers to influence people to perform tasks in ways that are consistent with the organisation's values (Marginson, 2009) and to influence human development (Rosanas and Velilla, 2005; Heinicke et al., 2016), relatively little research has

addressed beliefs systems compared with the other LOC (Davila, 2010; Tessier and Otley, 2012; Martyn et al., 2016). Marginson's (2009) study is one of few to present empirical evidence of using value systems to achieve value congruence; nonetheless, he concludes that the organisation he studied only partially realised its desired outcome through the use of value systems, and also experienced undesired side-effects. Thus, the systematic review of the MC literature presented in this chapter reveals a need to expand Marginson's (2009) findings, presenting empirical evidence that contributes to the MC literature by providing a deeper understanding of the use of value systems to influence the "how", and their desired and unintended consequences.

This thesis aims to provide an account of how MCS seeking to achieve the "how" may be implemented in practice, and it does so in a way that aims to be sensitive to the national context - Mexico. The study also contributes to the MC literature by responding to a call made by Martyn et al. (2016) to present empirical evidence of how national culture impacts on the use of MCS, and how the use of MCS influences organisational sets of beliefs. It can be seen, to some degree, as responding to Kraus et al.'s (2016) call to investigate ideological control relating to senior managers' use of rituals and symbols, and "ideological talks" through which they target employees' values, beliefs and emotions. Furthermore, this thesis aims to contribute to the literature by examining the LOC framework, which was developed based on findings in US companies, in the context of an organisation in an emerging economy. It is conducted in the spirit that motivates aims to respond to Cooper's (2015, p.22) concern that:

Future research should be mindful of the gender, race, sexuality and age related concerns associated with the impact of management control [...] In this respect too it would be wonderful to have more case studies which empathise with humans, instead of seeing them as targets of various forms of stimuli designed to make teamwork harder.

3. METHODOLOGY

3.1 Introduction

Previous chapters have presented the research questions of this thesis and a literature review revealing a need to explore ways in which MCS are used to influence the “how”, for example by aligning managerial values with those of the organisation, achieving tasks or targets in ways consistent with the organisation’s values, and putting in place activities to develop human potential, as well as the reasons for attempting to do so. This chapter explains the ontological assumptions made, the epistemological position adopted and the methods followed in this research.

Section 3.2 explains the ontological and epistemological positions of the research. Section 3.3 links the case-study and the qualitative research with the ontological and epistemological assumptions, and provides a more detailed discussion of how researchers have used case studies to make contributions to the MC literature. Eisenhardt’s (1989) roadmap is then used to explain the data collection and data analysis processes followed in this thesis. Eisenhardt (1989) emphasises the importance of selecting cases by purposive sampling, creating interview protocols, entering the research site, analysing the data and achieving closure; hence, the next sections of this chapter follow that roadmap. Section 3.4 describes the procedures for getting started and selecting the case, Section 3.5 explains the instruments and protocols used to collect the data, Section 3.6 details the process of entering the research site, Section 3.7 explains the data analysis, and Section 3.8 clarifies the achievement of closure. Finally, Section 3.9 draws conclusions that link to subsequent chapters of the thesis.

3.2 Ontological position and epistemological assumptions

All research approaches are built on assumptions about and understandings of the nature of the social world, and strategies for validating research claims (Hopper and Powell, 1985; Dillard, 1991; Laughlin, 1995; Chua, 1986). Reviewing the accounting and MC research literature provides an awareness of the qualitative and quantitative paradigms adopted by previous researchers and their related philosophical stances (Chua, 1986; Lee, 2004; Cassell and Symon, 2004; Hopwood, 2008). As the specific focus of this study is on how and why organisations use MC mechanisms to attempt to influence the “how”, a qualitative approach to the research appeared to be most appropriate. According to Merchant and Van der Stede (2006), qualitative, case-study research has become a leading-

edge practice, contributing to understanding of the phenomena and the generation of usable knowledge. Furthermore, seminal papers (e.g. Hopwood, 1983; Kaplan, 1984, 1986) have criticised quantitative approaches to accounting research for separating academic research from accounting practice, and have called for more qualitative case-study research in accounting and MC.

Taking a step further in specifying the theoretical stance taken by this study, the paradigm that by analogy may best help to understand this research is Laughlin's (1995) concept of "middle-range" thinking. Although this was not the only method used, it provides an explanation of the theoretical and sociological reflections which form the basis of the thesis, relating in particular to ontology and epistemology. Laughlin (1995) describes three continuums in research on organisations: theory, methodology and change. The theory dimension, relating to ontological assumptions, expresses concern in relation to the level of prior theorisation that can legitimately be brought to the empirical investigation. High levels of prior theorisation suggest a material world that is independent of observers and has high levels of generality and order; low levels of prior theorisation suggest that the world is not material but is a projection of people's minds, and since such projections differ, generalities are impossible. The methodology dimension, relating to epistemological assumptions, is about the nature of the methods used for empirical investigation, which also has implications for the role of the human agent in the process. For Laughlin (1995), in the high methodology dimension, the observer is irrelevant to the process. At the low end of this continuum, the individual observer is encouraged to get involved in the observation process, completely uncluttered by theoretical rules and regulations on what is to be seen and how. The final choice dimension, that of change, refers to researchers' attitudes to a need to do something about the current situation that is being investigated. High levels of change suppose that everything is inadequate and change is desired; low change indicates less concern for maintaining existing conditions (Laughlin, 1995).

Middle-range thinking takes a midpoint on each of the three continuums of theory, methodology and change. As Laughlin (1995, p.81) explains:

This approach recognizes a material reality distinct from our interpretations while at the same time does not dismiss the inevitable perceptive bias in models of understanding. It also recognizes that generalizations about reality are possible, even though not guaranteed to exist, yet maintains that these will always be "skeletal" requiring empirical detail to make them meaningful.

Laughlin uses the metaphor of a skeleton to illustrate a picture of incompleteness but also reasonable stability. Thus, for middle-range research, empirical detail is vitally important because it seeks to “complete” a “skeletal” theory. Generalisations, through expansion of the “skeleton”, are not assured: “it is assumed that the empirical detail will always be of importance to make the ‘skeleton’ complete in particular contexts” (Laughlin, 1995, p.82).

Observation is designed in such a way that it preserves subjective variety in perceptual values and power. Hence, research is conducted not in the abstract, but in relation to specific aspects of empirical accounting and management practices, and in a specific context. Empirical detail does not test the MC models; rather, it provides “the ‘flesh’ which makes the ‘skeleton’ meaningful” (Broadbent and Laughlin, 2009, p.284) and a means of reshaping conceptual frameworks. Table 3.1, adapted from Laughlin (1995, Table I, p.80), details in broad terms the characteristics of middle-range theory and methodology in comparison with the high and low extremes of the continuums.

Table 3.1: Comparison of key characteristics of different approaches to theory and methodology

Characteristics	High theory and methodology ⁸	Middle-range	Low theory and methodology ⁹
Ontological belief	Generalisable world waiting to be discovered	“Skeletal” generalisations possible	Generalisations may not be there to be discovered
Role of theory	Definable theory with hypotheses to test	“Skeletal” theory with some broad understanding of relationships	Ill-defined theory, no prior hypotheses
Nature of method	Structured, quantitative method, mainly hypothetico-deductive	Definable approach but subject to refinement in actual situations, invariably qualitative	Unstructured, ill-defined, qualitative approach
Data collected	Cross-sectional data used usually at one point in time and selectively gathered and tied to hypotheses	Longitudinal, case-study based, heavily descriptive but also analytical	Longitudinal, case-study based, heavily descriptive
Conclusions derived	Tight conclusions about findings	Reasonably conclusive tied to “skeletal” theory and empirical richness	Ill-defined and inconclusive but empirically rich in detail
Validity criteria	Statistical inference	Meanings: researchers + researched	Meanings: researched

Source: Adapted from Laughlin (1995, Table I, p.80)

Laughlin’s (1995) middle-range thinking relates to a more recent sociological approach that has acquired relevance in organisational research: Flyvbjerg’s (2001) *phronetic* social science. Flyvbjerg (2001, 2006a) explains that the social world must be understood as intuitive and phenomenological, standing opposed to context-independent theory. In social science, the object of study (a human being) talks back to the researcher; therefore, object-reflexivity is always needed. *Phronetic* social science is strong where natural science is weak; it involves reflexive analysis of the goals, values and interests necessary for an enlightened society (Flyvbjerg, 2001). *Phronesis* is about reflective thought aimed at action. It is the ability to think and act in relation to values (Flyvbjerg, 2001). Thus, as in the case of middle-range thinking, *phronetic* organisational research takes into consideration values and power in analysing social phenomena and, as a result, produces concrete examples and detailed narratives of how values and power work in organisations (Flyvbjerg, 2006b).

For reasons similar to those of Laughlin (1995), Flyvbjerg (2006a) calls for case studies to investigate social phenomena: “The proximity to reality, which the case

⁸ High theory and methodology are the archetype of positivism, with a model of scientific endeavour that assumes a material world which exists distinct from the researcher (Laughlin, 1995).

⁹ Low theory and methodology are the exact opposite of the positivistic perspective. According to Laughlin, at the extreme of this approach “reality, distinct from our human perceptions and projections, does not exist” (Laughlin, 1995, p.81).

study entails, and the learning process that it generates for the researcher will often constitute a prerequisite for advanced understanding” (Flyvbjerg, 2006a, p.236). Therefore, following Laughlin and Flyvbjerg, middle-range thinking was adopted with respect to the theory and methodology for this research, with reflexive analysis and discussion of values and interests. Using case studies requires awareness and acknowledgement of ethical and accountability issues relating to the research questions, as well as reflection on the part played by the researcher during research dialogues. Furthermore, MC actions are at the centre of the case-study learning methodology, and are open to diverse interpretations by participants and observers.

3.3 Qualitative research and case studies

Case studies have long been proposed as a successful way of studying organisations (Hopwood, 1983; Kaplan, 1984; Yin, 1993). More recent developments, such as Flyvbjerg’s (2001, 2006a) work, link the contextual nature of the case to the dialogue involved in, and the effects of, knowledge creation activities.

Following Flyvbjerg (2001), Cooper and Morgan (2008) suggest that accounting should use case studies to demonstrate power in action and the importance of values and expertise for progressive MC change. Moreover, according to Cooper and Morgan (2008), case-study research is more common in MC than in other areas of accounting as a result of Kaplan’s (1986, 1998) calls for its use. Merchant and Van der Stede (2006) predict that major advances in MC and the accounting field will continue to come from practice. However, companies do not generally publish their internal data; thus, researchers must go into the organisations and dig out the data to discover state-of-the-art practices (Merchant and Van der Stede, 2006). Cooper and Hopper (2006) agree that MC has been more influenced by action research, while Carmona and Ezzamel (2005) add that case-study research may advance understanding of why and how specific accounting and MC practices emerge.

Furthermore, given the exploratory nature of this research, examining how tasks should be achieved in ways that are aligned with the organisation’s values, and how the company’s activities seek to develop human potential, and the fact that it invokes notions of purpose, values and people that cannot be captured through surveys (Flyvbjerg, 2001; Cooper and Hopper, 2006), a qualitative case-study approach was the most appropriate choice of methodology.

Good case research begins with a careful research design that includes identifying the research questions (how and why), the unit of analysis, and criteria for interpreting the findings (Cooper and Morgan, 2008; Yin, 2009). Eisenhardt (1989) emphasises the importance of selecting cases through purposive or theoretical, rather than random, sampling, creating instruments and protocols, entering the research site (overlapping of data collection and analysis, and flexible and opportunistic data collection), analysing data, and achieving closure. Hence, this chapter draws on Eisenhardt's (1989) roadmap to explain the processes of data collection and analysis followed in this study. Table 3.2, adapted from Eisenhardt's roadmap (1989, Table 1, p.533), details the steps followed in this research project.

Table 3.2: Case-study research process

Step	Activity	Reasons	Actions taken in this project
Getting started	Definition of research question. Identification of possible a priori constructs.	Focuses efforts. Provides better grounding of construct measures.	Development of an initial proposal and research question
Selecting the case	Identification of a specific population, not a definition of a hypothesis.	Retains theoretical flexibility. Constrains extraneous variation and sharpens external validity.	Selection of Compartamos Bank as the main focus of the research site
Crafting instruments and protocols	Data collection with multiple methods.	Strengthens the reaching of interesting findings and conclusions by triangulation of evidence.	Development of three different interview protocols. Observation through informal chats with senior managers, listening to meetings and committees, and collection of unstructured data by just being around. Examination of archival data, including strategic documents, internal manuals, annual reports, newsletters, internal surveys, reports and interviews in newspapers and magazines.
Entering the research site	Overlapping of data collection methods and analysis, including research site notes. Data collection with flexible and opportunistic methods.	Speeds up analysis and reveals helpful adjustments to data collection. Allows investigators to take advantage of emergent themes and unique case features	Three phases of case-study research: an exploratory stage, an in-depth analysis of Compartamos' MCS, and confirmation of emergent themes discovered in the previous phases, focusing mainly on the "how".
Analysing data	Within-case analysis. Cross-case pattern search using divergent techniques.	Provides familiarity with data and preliminary findings. Forces investigators to look beyond initial impressions and see evidence through multiple lenses.	Application of different analysis processes at different stages of the research: first, analysis based on the researcher's initial presuppositions; second, use of NVivo to code the data and facilitate theoretical sampling; third, development of a descriptive framework based on Marginson (2009) to organise the case-study.
Shaping propositional statements	Iterative tabulation of evidence for each construct. Replication, not sampling, of logic across the case. Searching for evidence of the "why" behind relationships.	Sharpens construct definition and builds internal validity. The idea is to confirm, extend and sharpen theory.	As the iterative process drew to a close, corroboration of propositional statements which then constituted the roughly formed outcomes of the study

Enfolding literature	Comparison between conflicting literature and similar literature.	Builds internal validity, improves generalisability, raises theoretical level, and sharpens construct definitions.	Analysis carried out through constant comparison of the literature with the data.
Achieving closure	Theoretical saturation when possible.	Ends process when marginal improvement becomes small.	An ongoing process of collecting, coding and analysing the data until theoretical saturation appeared to be reached.

Source: Adapted from Eisenhardt (1989, Table 1, p.533)

3.4 Getting started and selecting the case

First, an initial proposal and research question were devised.¹⁰ This first definition permitted the investigator to specify the kind of organisation to be approached, and the types of data to be collected (Eisenhardt, 1989). As explained by Mintzberg (1979, p.585), “No matter how small our sample or what our interest, we have always tried to go into organizations with a well-defined focus – to collect specific kinds of data systematically.”

As a first approach, data were collected in three leading companies in Mexico.¹¹ The objective was to acquire a holistic view of the controls used in these organisations and how senior managers used MCS to deal with their subordinates. From this preliminary data gathering, more refined purposive sampling was possible. Purposive or theoretical sampling involves selecting a case on the basis of its relevance to the research question or focus of inquiry. As Taylor and Bogdan (1984, p.83) state: “in theoretical sampling the actual number of ‘cases’ studied is relatively unimportant; what is important is the potential of each ‘case’ to aid the researcher in developing theoretical insights into the area of social life being studied”.

While the case-study began with the aim of gaining further insights into the assumptions of Mexican managers and how they use MC tools, it quickly became evident that a major aspect of enquiry should be the design and use of an organisation’s value systems to align managers toward the founders’ beliefs. The initial data collection revealed that Compartamos had a stronger value system than

¹⁰ The initial research question was: how do senior managers use MCS and what role do their assumptions about human nature play in the process? However, according to Eisenhardt (1989), “Although early identification of the research question and possible constructs is helpful, it is equally important to recognize that both are tentative in this type of research” (p.536).

¹¹ Besides Compartamos Bank, data were collected from a highly successful Mexican bank, a subsidiary of a US multinational financial services organisation, and from a Mexican pharmaceutical company, a subsidiary of a multinational firm.

the other two organisations in terms of its attempt to inspire employees to achieve the organisation's purpose, aligned with the founders' values. Therefore, the company appeared to provide a rich example of how one organisation has attempted to use MCS to influence the "how", and why and how it has done so. A bank with a religious ethos represented an interesting purposive sample that might be worth investigating in greater depth.

Compartamos Bank's founders had clear and explicit beliefs about management and human nature based on Christian Catholic principles, and they claimed that one of the founders' most important concerns was to transmit their original Catholic values through growth of the bank. Thus, the senior management team designed a value system and other MC mechanisms with the main objective of implementing the founders' beliefs and aligning the organisation toward those values. Therefore, Compartamos Bank was a favourable site in which to explore whether the dynamic interplay between value systems and other management controls sought to generate a shared purpose, group identification, trust and a sense of fairness (Simons, 2005). Furthermore, at the beginning of the research, the organisation was open and willing to share its experiences and participate in the investigation. According to Gummesson (2000), access is the researcher's primary problem, "to get closer to the object of study, to really be able to find out what is happening" (Gummesson, 2000, p.25).

Compartamos Bank has evolved over 25 years from a small social NGO aiming to ease poverty in some marginalised groups of Mexican women, to the biggest microfinance company in Latin America and one of the top 200 largest companies in Mexico. It has more than £1.5 billion in assets, serves more than three million clients, and has been named by the Great Place to Work Institute as one of the best places to work in Mexico.¹² These attributes suggested that Compartamos would be a good example to explore whether MCS focusing attention on the "how" seek to ensure that everyone in an organisation is committed to acting in ways that are consistent with the company's principles (Simons, 2010).

3.5 Crafting instruments, protocols and data collection

Data were collected from a range of sources following the case-study protocol and the practice of triangulation (Yin, 2009). As explained by Eisenhardt (1989), qualitative researchers combine multiple data-gathering methods. Sources may

¹² Section 4.3 describes Compartamos' business model, and Section 4.6 explains Compartamos Bank's background and evolution.

include interviews, meetings, archival records, business press reports, internal company documents, annual business reports, non-participant observations of management meetings, and telephone conversations with different informants (Yin, 2009). The main research device used to collect data for this study was face-to-face interviews conducted on a one-to-one basis by the researcher.

Semi-structured interviewing was chosen because it allows the interviewer to be prepared and appear competent during the interview. It also allows interviewees freedom to express their views in their own terms, and enables the researcher to establish trust and rapport through dialogue and to probe in ways not permitted by surveys (Anderson-Gough et al., 1998; Newton, 2010). Semi-structured interviews may provide reliable, comparable qualitative data, mainly when depth of meaning is important and the research focuses on gaining insight and understanding (Ritchie and Lewis, 2003). Interviews were an essential source of evidence because this study was about human affairs (Yin, 2003). Attitudes, behaviours, concerns and other human affairs were reported and interpreted through specific interviews that provided insights into Compartamos' situation. Interviewees also provided shortcuts to the background of the organisation and its complexities, helping to identify other relevant sources of evidence (Yin, 2003).

Accordingly, semi-structured interviews were conducted with senior managers at Compartamos Bank, followed by similar interviews with their direct subordinates. Nonetheless, in order to make inferences about underlying managerial beliefs, it was insufficient to analyse what people said; it was necessary to contrast what they said with what they did. Hence, in addition to interviews with the senior management team, employees at different organisational levels were interviewed. Snowball sampling was employed to identify key informants, and these interviewees aided evaluation of whether managers' behaviours were consistent with what they said in the interviews. For example, branch managers, salesmen, junior employees, external consultants and former employees were interviewed. Section 3.6 provides details of the interviews conducted. These data were triangulated with data obtained from various other sources, particularly from many internal company documents such as archival records, strategic documents, internal manuals and procedures, financial statements, business units' statements, newsletters, performance evaluation reports and internal surveys, as well as with public documents such as annual business reports, business press reports, interviews and articles in newspapers and magazines, public rankings and awards. Moreover, unstructured data were collected from non-participant observations of management meetings,

and from telephone conversations with different informants, following Compartamos' social networks (i.e. Facebook). The researcher also observed and participated in meetings and committees, and collected unstructured data by just being present.

The data collection process was divided into three stages. For the first stage, an initial interview guideline was developed, with the intention of operationalising Simons' (1995b) LOC framework (Marginson, 2002; Mundy, 2010) and understanding interviewees' assumptions about human behaviour (Wrightsmann, 1992) in order to code the data in a consistent and reliable manner (Appendix A.1 presents the interview guideline used in the first stage of the research project). All interviews were conducted in Spanish between February and December 2013. Questions were changed, skipped or added according to the pace of the interview and the openness of the interlocutor. After the first round of interviews, the interview protocol was adjusted, dropping some questions and adding specific questions about the company's MCS or values (Appendix A.2 presents the interview guideline used in the second stage of the research project). This second set of interviews was conducted between March 2014 and December 2015. Finally, a last interview protocol was elaborated for further data collection from June to October 2016 (Appendix A.3 presents the interview guideline used in the third stage of the research project).

3.6 Entering the research site

The case-study at Compartamos was conducted in three phases: an exploratory stage, an in-depth analysis of Compartamos' MCS, and finally confirmation of emergent themes discovered in the previous phases. During the long timespan of the case-study, Compartamos evolved from a bank (Compartamos Bank) into an international financial corporation (Genera Group), and its openness to sharing its management practices with an external researcher also underwent an evolutionary process (see Section 4.6 for an exploration of Compartamos' evolution).

At the beginning of the research, Compartamos was interested in disseminating its business model. In reaction to the criticism it received after the IPO in 2007 (see Section 4.6), it opened its doors to scholars and researchers interested in understanding what it was doing. However, after the celebration of its twenty-fifth anniversary, and with the development of the Genera-50 strategy in 2015, it became less open to external researchers, and presented an airtight, taciturn and cautious attitude. This change in attitude and how it affected its use of MCS is analysed in Chapter 6. In the first two phases of the research, Compartamos

assigned a young executive to schedule interviews and to provide the researcher with anything needed for the research site. In the last stage, it was very difficult to obtain access to senior managers: on three different occasions, they cancelled scheduled interviews.

The first phase started with two short interviews (40 minutes) with the founders of Compartamos. The senior management team was then interviewed, including the heads of *personas* (personnel department),¹³ strategy, marketing and external relations and the CFO. Next, a manager, an external consultant and a middle manager were interviewed. A total of 10 interviews was carried out in this phase. The interview data were cross-referenced against a range of archival documentation. Documents including strategic maps, BSC reports, internal financial reports, personal goals and evaluation processes were offered or recommended by interviewees. More general documentation, such as the mission statement and code of conduct, were readily available from various sources, including annual reports and Compartamos' website. In addition, an external consultant provided more than 20 hours of video-recorded interviews with the three founders of the bank conducted by himself as part of various strategic planning processes implemented from 2004 to 2012 (see Table 3.3 for details of the interviewees).¹⁴

Following feedback and discussions on a presentation of the early findings and the methods used in this stage, a new interview protocol was developed for entering the research site again. Phase two of the case-study research coincided with the creation of the Gentera Group, and thus with some organisational changes within the bank. For example, it appointed the former marketing manager as CEO of the bank. Hence, some of these senior managers were re-interviewed in order to understand the changes and how this restructuring altered the company's MCS. As a result of the interviews with the senior management team, further informants were selected. At this stage, middle branch managers, salespeople, an external consultant, a former senior manager, two former middle managers, a recently-hired senior manager, a recently-hired middle manager and clients were interviewed. The researcher also participated in senior management committee meetings (these

¹³ Rather than Human Resources or Personnel, Compartamos calls the department *Personas*, which can be translated into English as "Persons". To underline the importance of the *Personas* Department and its "person-centred" focus, this thesis retains the name *Personas* for the personnel department.

¹⁴ Appendix J presents Compartamos' organisational charts illustrating the interviewed managers, and an overview of the carried out interviews by their organisational level.

meetings were not recorded), and organised a workshop at which the initial findings were presented to some senior managers who had previously been interviewed. They provided feedback and answered new questions. A total of nineteen interviews was conducted at this stage. As a result of phase two of the case-study, the preliminary findings were presented at two conferences (Casanueva, 2014a, 2014b).

Feedback, discussions and data analysis facilitated the emergence of new themes and the development of new research questions. A new interview protocol was developed to re-enter the research site to collect more data. Nineteen new interviews were carried out with senior and middle managers at Compartamos. Again, the collected data were triangulated with internal company documents, annual business reports, non-participant observations at Compartamos' facilities, telephone conversations with different informants, and press reports. Over the three stages, 48 interviews were carried out in total (see Table 3.3).

Table 3.3: Descriptive details of interviewees

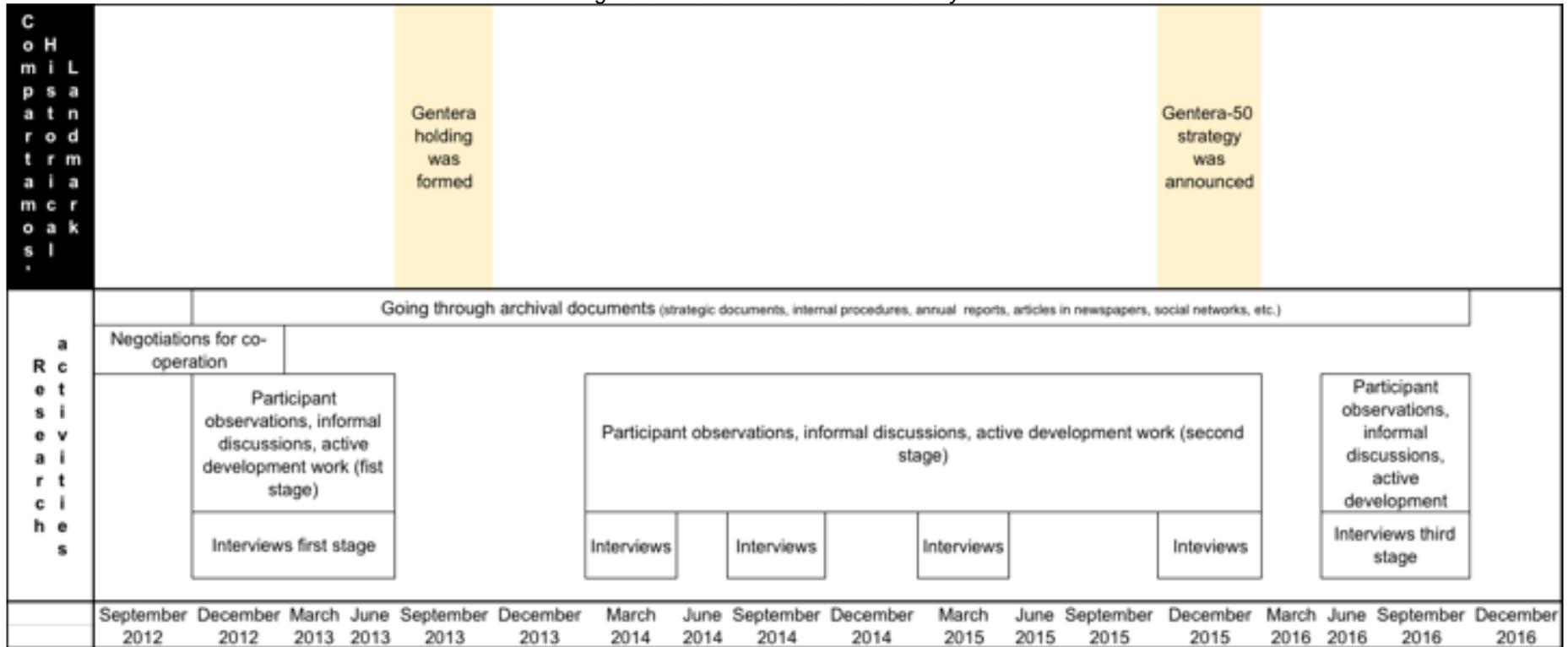
Interviewee	Job Title	Level	Gender	Age	Years of service
Stage 1: February to December 2013					
1	Co-President	Founder/Board member	Male	45	25
2	Co-President	Founder/Board member	Male	42	25
3	Executive Director of External Relations	Senior manager	Male	48	8
4	Head of Sales and Marketing	Senior manager	Male	43	9
5	Chief Financial Officer (CFO)	Senior manager	Male	37	8
6	Head of <i>Personas</i> Department	Senior manager	Male	40	9
7	Analyst of external relations	Junior employee	Female	26	2
8	External consultant	External	Male	50	7
9	Deputy manager of the Strategy Department	Middle manager	Female	32	7
10	Branch manager	Middle manager	Male	35	5
Stage 2: March 2014 to December 2015					
11	CEO of Intermex (Former Head of <i>Personas</i> Department)	Senior manager	Male	41	10
12	Chief Financial Officer (CFO)	Senior manager	Male	38	9
13	CEO of Compartamos Bank (Former Head of Sales and Marketing)	Senior manager	Male	44	10
14	Head of <i>Personas</i> Department	Senior manager	Female	57	2
15	External consultant	External	Male	58	8
16	Sub director of commercial analysis	Middle manager	Male	31	2
17	Strategic projects manager	Middle manager	Male	32	3.5
18	Former Head of Savings and Insurance Business	Senior manager (former)	Male	38	2.5
19	Chief Operating Officer (COO)	Senior manager	Male	46	1
20	Sub Director of Strategic Management	Middle manager	Male	38	3
21	Analyst of external relations	Junior employee	Female	27	3
22	Former Yastas manager	Middle manager (former)	Female	33	1
23	Innovation manager	Middle manager	Male	35	1
24	Sales promoter	Sales force	Female	30	3
25	Head of the HDD	Middle manager	Female	35	4
26	External consultant	External	Male	51	8

Interviewee	Job Title	Level	Gender	Age	Years of service
27	Client	External	Female	50	2
28	Client	External	Female	54	2
29	Founder	Founder and former senior manager	Male	47	25
Stage 3: June to November 2016					
30	Former Network Yastás manager	Middle manager (former)	Male	35	2
31	Operations manager	Middle manager	Male	46	1.5
32	Co-CEO	Senior manager	Male	44	11
33	Head of <i>Personas</i> Department	Senior manager	Female	59	4
34	Chief Strategy Officer	Senior manager	Male	55	1
35	Strategic planning manager	Middle manager	Female	32	2
36	Business intelligence manager	Middle manager	Male	32	6
37	Client experience manager	Middle manager	Female	30	4
38	External consultant	External	Male	60	9
39	Customer service manager	Middle manager	Male	34	5
40	Strategic department management	Middle manager	Female	31	1
41	Business analysis manager	Middle manager	Female	32	5
42	External relations deputy director	Middle manager	Female	40	14
43	Corporate CEO	Senior manager/Board member	Male	41	10
44	Branch manager	Middle manager	Female	36	8
45	Sales promoter	Sales force	Male	35	4
46	Communication manager	Middle manager	Male	40	4
47	Head of the HDD	Middle manager	Female	36	5
48	External Board member	Board member	Male	47	2

Source: Researcher based based on collected data

Figure 3.1 presents an overview of the case-study process.

Figure 3.1: Overview of the case-study

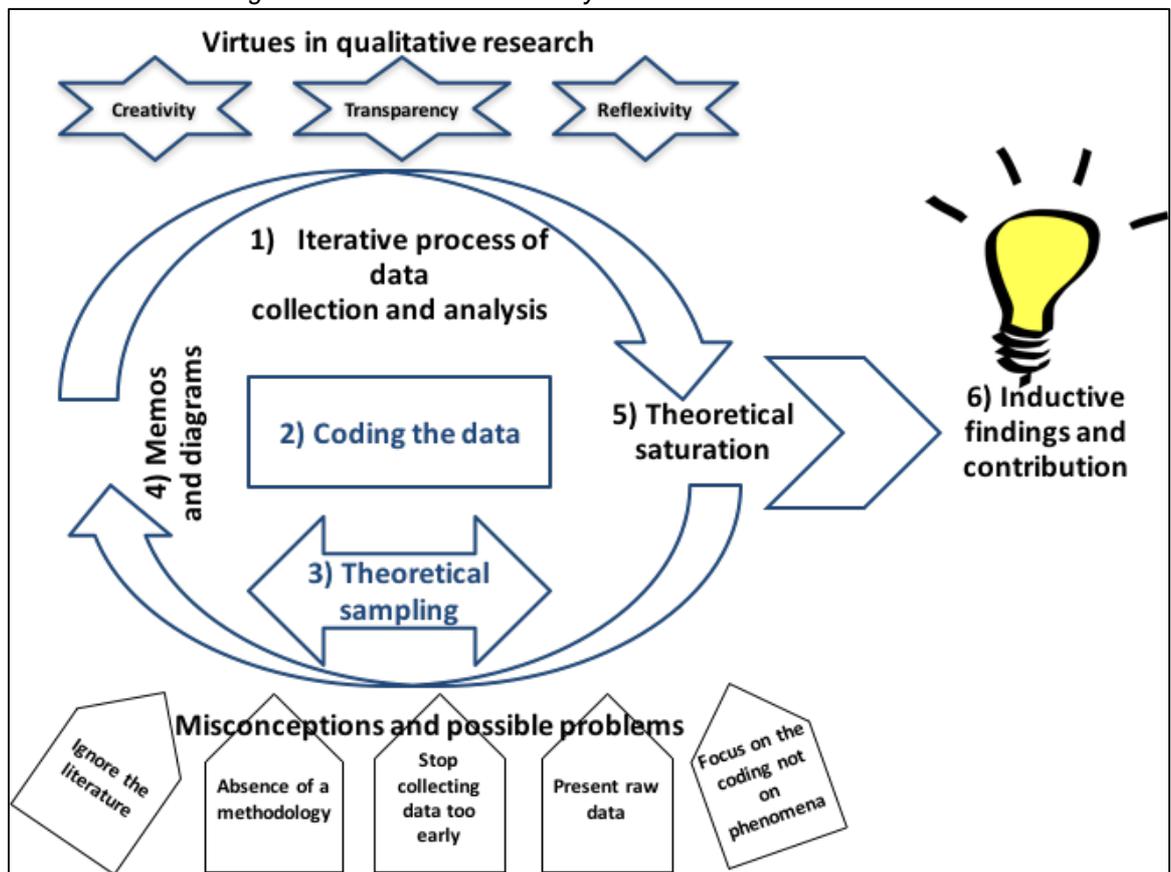


Source: Researcher

3.7 Analysing data

Corbin and Strauss' (2008) methodological guidelines were followed to provide a clear and systematic process for analysing the collected data. This approach aligned with the epistemological assumptions of the study, placing priority on the phenomena under study, and seeing "both data and analysis as created from the shared experiences of the researcher and participants, and the researcher's relationship with participants" (Charmaz, 2003, p.313). In the analysis, the aim was to explore senior managers' implicit meanings and experiential views. Based on the extant literature on qualitative research in accounting and MC, a framework was developed to assist in analysing the data.¹⁵ Figure 3.2 summarises this framework.

Figure 3.2: Framework to analyse the collected data



Source: Researcher based on literature review

The framework included six guidelines used as a checklist while collecting and analysing the data. The first was an iterative process of data collection and analysis. This iteration was not a repetitive mechanical task, but a reflexive process to catalyse insights and develop meaning. The second guideline related to coding the

¹⁵ Twenty-four accounting papers that based their findings on an inductive approach to data analysis were reviewed (Gurd, 2008). Analysis of these papers is beyond the scope this thesis but is available on request.

data, which was a process through which concepts were identified in the data. The main idea was to identify concepts, break them down into categories and sub-categories, and then transform them into findings.

The third guideline was theoretical sampling, which was a process of selecting events or interviews, making comparisons between responses, and gathering data to guide the development of higher-level concepts (Parker and Roffey, 1997). Next came the writing of memos and diagrams. The objectives of these mechanisms were to reflect on the data, discover gaps in earlier interviews, make explicit comparisons, and generate new questions. Charmaz (2003) affirms that, through such memos, the researcher begins to analyse and write early in the research process, and thus avoids being overwhelmed by piles of unanalysed data. The data collection and analysis should continue until further analysis neither adds to the existing categories nor creates a new category. At that point, the study reaches theoretical saturation, which is the point where new sources of data no longer offer additional information (Goddard, 2004). Qualitative case-study research should be understood as the development of inductive findings; thus, the research work implied the need to assess whether the previous guidelines resulted in a contribution.

Again, as a checklist to assist with the data analysis, the framework took account of Suddaby's (2006) warning of potentially serious misconceptions in inductive qualitative research. He claims that some authors use labels such as "grounded theory" as an excuse to ignore the literature or to do research without a clear methodology. Case-study research is not easy; it requires discipline, flexibility and rigour (Carmona and Ezzamel, 2005; Suddaby, 2006). Additional problems identified by Suddaby (2006) are the fact that researchers may stop collecting data too early, present raw data (qualitative research requires a higher level of abstraction than the data itself), or focus on how to verify emerging codes rather than on how to understand the nature of the phenomenon being studied. The objective of case-study research on MC is to understand the development of accounting and control in its natural context. According to Carmona and Ezzamel (2005, p.150):

Case-study research is a unique way of understanding organizational micro-processes, in their most minute detail. As the researcher delves deeper and deeper into such micro-processes, the researcher is likely to encounter many similarities reported by other researchers in other organizations.

Scholars must be aware that creativity is an essential ingredient of case-study research (Strauss and Corbin, 1998; Yin, 2009). Researchers should also endeavour to be transparent and offer sufficient detail in the presented data to create a sense of verisimilitude (Suddaby, 2006). Furthermore, the logic of inductive research demands that successive questions should be asked about participants' experiences to probe the researcher's theoretical insights; hence, the study must show the researcher's reflexivity (Charmaz, 2003).

All interviews were conducted in Spanish, audio-recorded, and then transcribed verbatim. Triangulation is a strength of case-study research because it uses evidence from different sources to corroborate the same fact or finding (Rowley, 2002). Thus, as mentioned in the previous section, data were retrieved from a number of different sources to form a single body of data. This was an iterative process of collecting and analysing the data. A case-study database of the gathered evidence was developed as the data were collected and analysed. This database included case notes, archival documents collected during the research, interview transcripts and analysis of the evidence.

In reality, data collection and analysis were not distinct stages. The analysis began as soon as the first interview was in progress, trying to make sense of the stories that were being told in order to ask the right questions. Research site notes and transcripts are a research activity that involves interpretation, including repeated listening to recordings and noticing new data features (Silverman, 2010).

Over the course of the data analysis procedure, both manual and electronic processes were employed. However, the analysis process varied between the different stages of the research. During the exploratory stage, analysis was based on the initial propositions of the research.¹⁶ The idea was to seek evidence to corroborate the initial propositions and then record relevant evidence and make a judgement on whether the positions were substantiated. In stage two, a qualitative software package (NVivo) was used to code the data and to facilitate theoretical sampling. At this point, the research aimed to analyse relationships between MC and the assumptions about human nature behind it. Hence, the first step of the coding was to identify incidents in the interviews that showed such assumptions by

¹⁶ In the initial research proposal, Simons' (1995b) LOC was used to theorise that, based on their assumptions about human nature, some leaders rely on boundary systems and heavily stress diagnostic systems, while managers with different beliefs about human nature emphasise interactive systems and use value systems to inspire and guide organisational search and discovery. These were the initial research propositions used to seek evidence in the exploratory stage.

senior managers. Review and analysis of the interviews revealed that managers' assumptions at Compartamos could be understood by tracking and coding managers' perceptions of people, the organisation in which they worked, the work their subordinates performed, and the context in which their organisation was embedded. These four categories were the first to emerge from a line-by-line analysis of the interviews. The coding process is illustrated by examples presented in Table 3.4.

Table 3.4: Example of Compartamos Bank data coding

Comparing incidents From...	Identifying conceptual categories To...
"...we are a great place to work not because we get paid the same salary as in an investment bank, but because the employees feel highly satisfied. I can assure you that 97% of my subordinates would say that they love what they do."	Perception of the organisation in which they work
"Compartamos' mission is to help our clients accomplish their objectives, to work with self-fulfilled people who achieve their goals. It is also to reach into every Mexican home, trying to do good and creating a micro-business opportunity for each one of our customers."	Perception of the organisation in which they work
"Our balanced scorecard was developed to measure the way Compartamos generates social and human value, not just economic value."	Perception of the organisation in which they work
"We understand that a person has many facets in his or her life. You cannot conceive of an employee only from the professional aspect because you would be a little short-sighted. We conceive of people from the physical, intellectual, social, spiritual, and professional aspects."	Perception of people
"... I would say that 99% of my team have the same principles. Because I think the values I inherited from my parents are the ideal ones. That is what I would like to see in everyone. I think we all live in the same way."	Perception of people
"Here, at Compartamos, it is not necessary to push people to do their job; people accept the commitment and go for it."	Perception of people

Source: Researcher's own analysis

Line-by-line analysis of the interviews and operationalisation of the LOC within the interview questions facilitated the coding relating to MCS. From Compartamos' interviews, the following codes were created: performance evaluation, strategic goals, individual goals, tracking and monitoring employees' performance, value system, rewards and punishments, and scorecards. Three additional codes helped provide an understanding of interviewees' opinions of Compartamos Bank: history of the organisation, Compartamos' growth, and business methodology.

Identification of relationships between the codes relied heavily on visual display, for instance mapping categories and their propositional statements. NVivo software facilitated this process, allowing categories (nodes) to be visually displayed, and to be arranged and re-arranged in forms that reflected changing lines of thought (horizontally, hierarchically and chronologically). It also allowed the production of diagrams to demonstrate this thought progression, and as categories were electronically generated, expanded, merged and collapsed, the movement of each data segment was logged in the database. NVivo allowed the researcher to interrogate the data to identify patterns and trends, and to query the unstructured data from the interviews.

Some of the analysed data were then translated into English in order to reflect on it, discover gaps in the interviews, make explicit comparisons, and generate new questions. In line with Charmaz (2003), memos were also a valuable tool for analysing and writing early in the research process, and thus avoid being overwhelmed by piles of unanalysed data. These memos were written in formats that looked like rough versions of the case. Discussion of and feedback on the preliminary versions helped the researcher return to the research site and generate new data.

The coding process continued to seek relationships between comments, subject matter, categories and secondary data. Sub-categories were developed to classify different perceptions, for example “perception of the organisation as a generator of assets to society”, “perception of people as honest and committed individuals”, and “perception of people as maximisers of resources without restrictions”. Furthermore, variations in phenomena were explored by comparing apparently related patterns of dimensional locations, and relationships were identified between sub-categories, categories and phenomena.

At this stage, in response to senior managers’ assumptions about human nature in Compartamos Bank and their perceptions of the organisation and the context in which the bank was embedded, several new codes were identified, including self-realisation, human dignity, economic value, human value and social value. The coding relating to MCS generated three new codes: FISEP¹⁷ scorecard, Code of Ethics, and the “We Expect More from You” programme. New data were continuously integrated through coding from questions about the senior managers’ values, their perceptions of human behaviour, and how these two factors influenced their exercise of MC.

As previously mentioned, an interview guideline was developed with the intention of operationalising Simons’ (1995b) LOC framework. Thus, through the codes, it was possible to link the MC literature with Compartamos’ actual MC mechanisms. At this stage, Laughlin’s (1995) middle-range thinking approach was useful to ensure a constant interplay between the data and the literature. As explained by Broadbent and Laughlin (2009), the conceptual “skeleton” provides alternatives that are likely to be presented in any empirical situation, and a language with which to discuss

¹⁷ FISEP is a Spanish acronym that stands for *Físico* (physical or health), *Intelectual* (intellectual), *Social-familiar* (social-family), *Espiritual* (spiritual) and *Profesional* (professional). See Section 5.5 in Chapter 5 for an analysis of the concept and how it is used as an MCS in Compartamos.

them. Compartamos' empirical data provided the "flesh" to make the "skeleton" of Simons' LOC meaningful, and a resource to reshape the conceptual framework should it fail to express the empirical situation adequately, in a "skeletal" sense. Thus, middle-range theory helped provide a language for structuring the empirical description (Broadbent and Laughlin, 2009).

In order to gain additional feedback, the memos were organised and a next preliminary version of the rough analysed data was presented at two conferences (Casanueva, 2014a, 2014b). After reviewing new literature recommended at the conferences, the data analysis and coding process continued. This part of the analysis culminated in the formation of propositions based on relationships that showed a category's causal conditions, phenomena, context, intervening conditions, actions and consequences. As suggested by Norris (2002), to identify these relationships, the data were questioned and compared, and four analytical steps were performed almost simultaneously: 1) continually searching for dimensions of variation within issue categories and sub-categories and in secondary data (e.g. internal financial reports, strategic maps, code of ethics and annual reports); 2) exploring variations in phenomena by comparing dimensions for apparently related patterns of dimensional locations; 3) speculating about relationships between sub-categories, their categories and the phenomenon; and 4) verifying these propositions against actual data. Corbin and Strauss (2008) explain that it is this constant interplay between proposing and checking that leads to the emergence of contributions.

The data analysis, the constant interplay with the literature, and feedback on the memos brought about a new line of study. While trying to understand the organisation's MCS, mainly in terms of the value system and the FISEP scorecard, a new research approach emerged from the data: Compartamos' senior managers were aiming not only to influence people to behave in ways that lead to the attainment of organisational goals (the "what"), but also to lead managers to act in accordance with the organisation's purpose and principles (the "how"). Hence, the focus of the thesis turned to exploring why and how Compartamos Bank had attempted to influence the "how". Thus, the research entered its third stage.

An alternative approach to data analysis was adopted in stage three. Here, based on Marginson (2009), a descriptive framework was developed to organise the case-study (Rowley, 2002). This framework included sections reflecting the themes in the case-study and a collection of evidence within those relevant themes. The data in these categories were then analysed and compared in order to produce a

description of the case-study that could be corroborated from multiple sources of evidence. Again, Laughlin's (1995) middle-range thinking approach was useful in using empirical detail to provide the "flesh" which made the "skeleton" meaningful, as well as providing a resource to reshape the conceptual framework of Marginson's (2009) value systems (Broadbent and Laughlin, 2009).

In segmenting the data at this stage, a matrix was developed so that, during the analytical process, incidents could be readily traced back to their original context in the interview transcripts. A set of first-round provisional categories was then generated, to which the segmented data were coded. These categories took two forms which might best be described as "interviewee-driven" and "researcher-driven". The first were derived from the researcher's familiarity with the interviewees' context and language, while the second were derived from theoretical interest in the phenomenon under study (the "how"). Hammersley and Atkinson (1983, p.153) clarify the importance of interviewee-driven categories in the data analysis process:

The actual words people use can be of considerable analytic importance as the "situated vocabularies" employed provide valuable information about the way in which members of a particular culture organize their perceptions of the world, and so engage in the social construction of reality.

Although the interviewee-driven categories were simply general descriptions of concepts (e.g. "Mística guardians", "Integration meetings", "Serviazgo leadership programme", "the person at the centre"), and the categories changed during the analytical process, generating these two forms of category provided a framework for moving back and forth between "natural" and "theoretical" discourses (Hammersley and Atkinson, 1983).

Segmenting and placing the body of data in the matrix allowed examination and analysis of incidents according to the developed framework. During the analytical process, the research questions were constantly borne in mind, together with assessment of whether the data provided information to answer those questions. The next task was to carry out analysis that aimed to go beyond the identification and description of broad themes to exploration of coherent meanings embedded in the data, and then to draw up a theoretical statement that would express the collective meaning of the analysed data. The data collected in the first two stages were then re-read, analysed and compared with the identified meanings. Throughout the analytical process, some categories were quickly justified, while

others collapsed or needed to be re-defined. Also, new categories emerged and other themes were eliminated as irrelevant to the research focus.

Throughout this iterative process, identified meanings changed as the researcher developed and refined theoretical insights into the phenomenon under study. As the process drew to a close, corroborated meanings, themes and insights constituted the roughly formed outcomes of the study. In order to present evidence of these insights, selected quotes were chosen from the full body of data. Some of these themes and insights stood alone, explaining aspects of the phenomenon under study, while other findings were interrelated.

3.8 Achieving closure

As mentioned previously, triangulation between different data sources is an important strength of case-study research. Moreover, in order to reach findings, it is pivotal constantly to compare the literature with the data, and to juxtapose data and theory (Eisenhardt, 1989). This study iterated between diverse sources to enable the evidence to converge into a well-defined construct. In order to achieve internal validity, the interview data were cross-referenced against a multiplicity of archival data. The data were then interpreted, and inferences made that are reflected in the findings. As suggested by Broadbent and Laughlin (2014), the MC literature and the detailed data developed reflexivity, each informing the other. Middle-range thinking sees the role of the observer “as inevitable, eschewing the claims that objectivity is possible, yet seeking some level of structure in that engagement; the structure being informed by the theoretical frame” (Broadbent and Laughlin, 2014, p.257). There was no clear boundary between the data analysis, the coding, the iterative tabulation of evidence, and the comparison with the literature. It was an ongoing process of collecting, coding and analysing the data until theoretical saturation appeared to have been reached, which was the point when new sources of data provided no additional information (Goddard, 2004).

According to Eisenhardt (1989), it is important to consider two issues in achieving closure: when to stop adding data, and when to stop iterating between data and theory. After engaging in interviews and informal chats with numerous informants at Compartamos, they began to repeat the same issues, so the incremental learning was minimal. Furthermore, pressure of time forced the achievement of closure. Hence, in practice, theoretical saturation coincided with pragmatic considerations.

In qualitative studies, since the researcher is the data collection instrument, there are two major potential threats to internal validity: the data collector’s characteristics

and the researcher's bias. Having the data and some analysis in Spanish and some reports and memos in English was challenging and time-consuming. Nevertheless, the main idea of conducting case-based research was to generate contributions from systematic data collection and analysis, and sometimes it was impossible to arrive at the research site and start without a preconceived idea in mind (Strauss and Corbin, 1998). Fortunately, challenging feedback and advice helped provide an awareness of researcher bias, and enabled the discovery of meaning from the data (Glaser and Strauss, 1967).

3.9 Conclusions

This research adopted middle-range thinking with respect to theory and methodology, with reflexive analysis and discussion of values and interests. In using case-study research, the researcher was aware of a personal commitment to ethical and accountability issues relating to the research questions, and aimed to reflect on that role in the research dialogues.

Throughout this chapter, it has been argued that Laughlin's (1995) middle-range approach and Corbin and Strauss' (2008) guidelines may help respond to Hopwood's (1983) and Kaplan's (1986) calls for more qualitative case-study research in management accounting and control. An inductive approach may be valuable, especially for interpretative researchers seeking to understand MC practices in their natural settings (Elharidy et al., 2008). However, researchers must understand that case-study research demands not only rigour and discipline, but also creativity and reflexivity.

Since the case-study research of this thesis was contextual in nature (Flyvbjerg, 2006a) and the empirical detail was important in defining the research context (Laughlin, 1995; Broadbent and Laughlin, 2014), the next chapter presents the contexts in which empirical research was conducted. It will place particular emphasis on poverty, inequality and women's marginalisation in Mexico, but will also explain the religious background embedded in the beliefs of some entrepreneurs and senior executives of Mexican companies. Chapters 5 and 6 will then present the findings based on the analysed data.

4. COMPARTAMOS BANCO: Background and Context

4.1 Introduction

Compartamos Banco (Compartamos) has evolved over 25 years from a small, social, non-governmental organisation (NGO) aiming to ease poverty in some marginalised groups of Mexican women, to a public, billion-dollar international financial services company with more than three million clients. With headquarters in Mexico City, it has become one of the largest microfinance banks in Latin America (Microfinance Information Exchange, 2012), and one of the most profitable in the world (Carvajal, 2015).

Establishing Compartamos in the spirit that its founders wished to embrace and promote required the development not only of products that were fit for purpose, but also a way of managing and working that incorporated the founders' values. The founders' desire to alleviate poverty through an organisation that was financially viable as well as explicitly spiritual led to the development of management control systems that aimed to make the "whole person" salient. The overt use of Catholic practices, values and iconography makes Compartamos an interesting and unusual research site, but at the same time it is perhaps very Mexican in the sense that religion is strongly embedded in the national culture. In other words, Compartamos comes out of its national context, yet its explicit and extensive use of spiritual and humanistic principles in its managing style and systems does not appear to be typical.

As well as being a country in which the Catholic religion still has a strong presence, a large proportion of the population of Mexico has insufficient income to cover the basic necessities of clean water, decent housing, adequate food and access to healthcare (Pardo et al., 2007). The current study reveals that the founders' understandings of Mexico's background, with this context of poverty and marginalised women, has influenced Compartamos' purpose and management style. Therefore, in order to understand the need for micro-credit in Mexico, and thus the origins and evolution of Compartamos, an awareness is required of the economic and cultural conditions of Mexico, including the gap between rich and poor (Woodworth and Hiatt, 2003). A brief review of the importance of religion is also required to set the scene and establish Compartamos, the case study organisation, as a product of its place and time (Hofstede, 2001; Broadbent and Laughlin, 2009; Flyvbjerg, 2006a; Hofstede et al., 2010).

This chapter therefore reflects on Mexico, the idiosyncrasies and particularities of Mexicans, and the evolution of Compartamos. Section 4.2 begins with a short explanation of the key characteristics of the research site. Section 4.3 briefly explains Compartamos' business model. Section 4.4 presents the cultural background of Mexico that has influenced Compartamos' founders and managers. Section 4.5 examines the context of poverty and marginalisation that explains the rise of microfinance in Mexico. Finally, Section 4.6 examines Compartamos' background and its evolution. The chapter draws on relevant literature, and also on interviews undertaken for this research with three of the founders and an external consultant from whom the founders sought assistance with various aspects of managing Compartamos.

4.2 Key characteristics of Compartamos

Compartamos, which in Spanish means "let us share", began in 1990 as a tentative effort by an NGO to respond innovatively to poverty through small loans to low-income women in Mexico. These loans were for people (women in the early days) needing short-term finance for working capital and/or to invest in micro-businesses or commercial activities. Ignacio Ávalos, Carlos Danel, Carlos Labarthe and Iván Mancillas are considered to be the founders of Compartamos. As shown in Figure 4.1 and in Table 4.1, Compartamos has undergone various transformations, discussed in greater detail below, which have seen the bank grow its activities from two branches to almost 800, with over three million clients and a reach stretching beyond Mexico to include Peru and Guatemala.

Figure 4.1: Summary of Compartamos' evolution

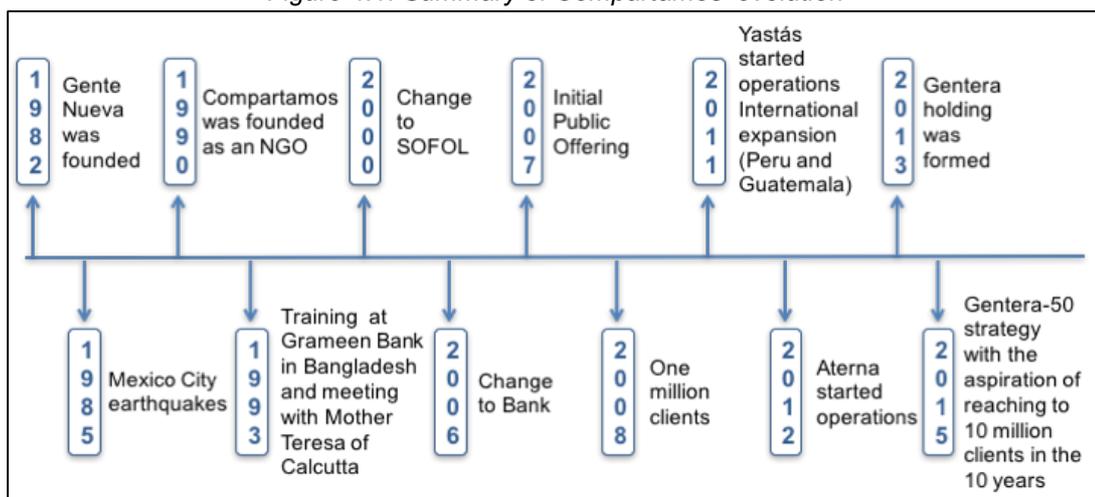


Table 4.1: Growth of Compartamos, 1990-2016

Year	Number of Clients	Number of Branches
1991	0	2
1993	5,000	3
1996	26,000	8
2000	64,000	25
2002	144,000	52
2004	300,000	100
2005	453,000	144
2006	617,000	188
2007	840,000	253
2008	1,000,000	314
2009	1,500,000	325
2010	1,961,998	325
2011	2,334,440	409
2012	2,675,758	536
2013	2,754,860	577
2014	2,874,488	635
2015	3,207,852	758
2016	3,3381,455	799

Source: Compartamos' Annual Reports, 2012–2015 and Quarterly Information Report, December 2016

In 2013, the organisation formed a holding group, Genera. The word “Genera” is a union of two Spanish words, *gente* (people) and *entera* (complete); thus, Genera means “complete people”. According to the chairman of the board, “the name Genera evokes and calls upon GENUine, GENtle and GENerous people to join in a common purpose: to eradicate financial exclusion in the Americas” (Danel, 2013).

4.3 Compartamos' methodology and business model

In many respects, Compartamos' business model resembles other microfinance institutions, but its methodology incorporates elements aligned with the founders' Catholic values. The founders wanted managers to build transparent and good professional relationships with investors, employees, suppliers and clients. In this way, Compartamos claimed that it was, and still is, able to generate three types of value:

1. *Social Value*: By providing financial services to the greatest number of people in as little time as possible. According to Compartamos' senior managers, its financial services boost social development.
2. *Economic Value*: By being a profitable and strong company in which private capital participates, making it attractive to more people.
3. *Human value*: By trusting people, their word and their disposition to succeed and develop their abilities, and by promoting actions that give clients and employees opportunities to be better people.

The goal of Compartamos' business model was to use commercial principles to tackle social problems in a sustainable way. Danel and Labarthe, founders and co-presidents, believed that they were in a business based on trust, which gave clients and managers opportunities to enhance their values as people and improve their social and family relationships. Just like any other financial institution, Compartamos needed to be profitable for investors who were entrusting it with their resources:

We are guided by our quest for the common good, for comprehensive development, and for the creation of opportunities for our stakeholders in order to benefit the families and society in the places where we operate (Gentera, 2013b, p.8).

Compartamos' main target market was initially women entrepreneurs who had no access to working capital prior to becoming clients of the bank. Compartamos' founders believed that exclusion causes poverty and that providing access to competitive financial services would generate inclusion and development. Senior managers at the bank claimed to have examined anthropological studies to understand the causes of poverty in Mexico: "we have conducted studies and have invested resources in anthropological investigations to understand the social dynamics, to mitigate poverty" (Senior manager interviewed in February 2013). Hence, Compartamos defined its purpose as "to eradicate financial exclusion" (Compartamos, 2008, 2011; Gentera, 2014a). As Carlos Danel explained:

Gentera exists to eradicate financial exclusion. One very permissive form of exclusion is financial exclusion, which means not having access to basic financial products and services that maybe we all take for granted: we all have a place where we can save money, ask for a loan, start a business... all those kinds of things that for one segment of the population are very well attainable, don't exist for another segment. That is what causes exclusion.

According to Compartamos' Mission Statement (Compartamos, 2008, 2011), its main objectives were to generate social, economic and human value, to make better people and to promote effective relationships. As one of the founders explained, "it is the creation of opportunities for those who have been excluded from them. It has been the perpetual lack of opportunities that has kept capable people from realising their full potential, and that is what Compartamos is all about" (interviewed by the researcher in 2013).¹⁸.

¹⁸ Some scholars have questioned the effectiveness of microfinance as a solution to poverty. That analysis/debate is beyond the scope of this research project. See Datar et al. (2008, 2010) for an in-depth analysis.

Compartamos reports its results in terms of three different types of outcome: social, economic and human.¹⁹ Even its quarterly information to the stock exchange and annual reports to investors are presented highlighting these different results. Table 4.2 shows Compartamos' results and its three types of value creation.

Table 4.2: Compartamos' Results, 2012-2015

Concept	2012	2013	2014	2015	Var.% 2015/ 2014 ²⁰
Social Value Creation					
Amount disbursed (million MX\$)	64,142	74,472	83,204	96,279	15.7%
Number of disbursements	7,702,583	8,042,469	8,321,000	8,750,615	5.2%
Number of clients/homes benefited	2,675,758	2,754,860	2,874,488	3,207,852	11.6%
Loan average (MX\$)	8,058	7,516	8,332	8,883	6.6%
Default rate	2.77%	3.12%	3.28%	3.09%	-5.8%
Economic Value Creation					
Total portfolio (million MX\$)	18,161	20,706	23,951	28,496	19.0%
Net result (million MX\$)	2,021	2,271	3,162	3,161	0.0%
Direct jobs	16,601	19,339	18,999	20,179	6.2%
Indirect jobs ²¹	2,684,320	2,754,860	2,888,686	3,218,117	11.6%
Human Value Creation					
Employees	16,601	19,339	18,999	20,179	6.20%
Internal training investment (million MX\$)	NA	NA	95.8	83.4	-12.0%
External training investment (million MX\$)	NA	NA	11.8	15.5	31.4%
Internal training hours	NA	923,991	1,177,753	888,875	-24.5%
External training hours	NA	NA	9,731	51,750	431.8%
Employee scholarships	124	192	145	198	36.6%

Source: Compartamos Annual Reports 2013, 2014 and 2015

Compartamos was almost a mono-product bank. In 2015, Crédito Mujer (Women's Loans) comprised 87.6 per cent of Compartamos' portfolio (Gentera, 2015a). Women's loans are individual working capital loans to groups of between 12 and 50 women with a joint guarantee. Clients receive a basic life insurance policy of MX\$10,000 (c.£377) free of charge, and in the event of death, Compartamos forgives the debt and the beneficiary is given the full amount of the insurance policy.

¹⁹ The researcher had access to financial information and annual reports from 2011. However, Chu and García Cuellar (2008) and Rodríguez and Campuzano (2010) state that Compartamos presented social, economic and human values before that date.

²⁰ The 2015/2014 percentage variation column may contain minimal errors due to rounding.

²¹ Year-end number of clients multiplied by 1.0032 people hired by microbusinesses according to the 2010 National Microbusiness Survey by INEGI. Profits for 2010 and 2011 obtained from the number of clients at year-end multiplied by 1.3 people hired by microbusinesses according to the "De la Riva" 2008 client segmentation study (Compartamos Annual Report, 2015, p.42).

In 2015, loan amounts were between MX\$4,000 and MX\$60,000 (c.£150 to £2,250), with an annual interest rate of 78 per cent.

One client explained her experience of Compartamos as follows:

My business consists of a newspaper stand. Thanks to the help Compartamos is giving me, my business has been more abundant and I have made profits. The loans have been a support to my business and my family. I have been able to buy what we needed. Now, besides newspapers, we sell sweets, cigarettes, soda. And I have been able to expand my small stand (interviewed by the researcher in 2014).

Another also explained how the loan had helped her business to grow:

I needed my bakery to grow, but it couldn't grow without money. By chance, I heard about Compartamos loans and I approached them to ask for information. Thanks to Compartamos loans, I was able to get my oven, my mixer and the two vans where the bread is distributed. We also fixed the bakery's roof and the light (interviewed by the researcher in 2014).

In order to obtain an individual loan, potential female clients of Compartamos are asked to group with another 11 to 49 women. This can be viewed as a type of communal banking group, which meets on a regular basis (generally bi-weekly, once established) and guarantees each other's loans. If one member of the group cannot pay, the others must make the payment for her. Group members meet in locations close to their homes, often community centres, to repay their loans, receive training and develop their network. A Compartamos promoter guides the meetings and provides training, while the groups choose their members, elect officers and manage their loan decisions.

There are no guarantees or collateral for the loans other than the solidarity of the group members. Each group has a president, secretary and treasurer elected from among the clients. Iván Mancillas, one of the founders, stated: "The president, secretary and treasurer play an important leadership role within the group. They create group cohesion." To encourage this leadership, Compartamos conducts nearly 150 meetings every year, gathering the presidents, secretaries and treasurers of all groups together: "We run events drawing more than 800 attendees. There we give motivational talks to the ladies in positions within the group. It is to thank them for their work. We give gifts, but also train them to become better leaders" (interviewed by the researcher in 2015). Prior and Santomá (2008) indicate that groups offer additional benefits to their members, such as networking, social

activities, business opportunities and a sense of belonging: “This is of particular relevance, since most of Compartamos’ clients are women, who are empowered by these groups, because they are usually denied in both society and their homes” (Prior and Santomá, 2008, p.5).

In order to form a group, prospective members need to know each other and be trusted by the others. An individual loan is given to each woman in the group. Repayments are made bi-weekly during the group meetings. If one member fails, the group is responsible for the payment, and if any member defaults on a payment, all group members are reported in a negative note to the Mexican Credit Information Bureau.²²

In order to understand the methodology, the researcher accompanied a Compartamos promoter to a meeting with a group in a low-income neighbourhood in Zapopan, Jalisco in August 2014. The meeting was held in a small room, in the business premises of one of the members, a fruit seller. After greeting each other, the first five women made their payments. When Lucero had to make her payment, she could not hold back her tears. With pain and sadness, Lucero asked the other 26 members to forgive her. She explained that she had failed to gather the 706 pesos (£27) owing to unforeseen expenses because her diabetic husband had suffered a complication in his condition, her youngest son had caught influenza and it was the back-to-school period. Compartamos’ promoter said, “Let’s see. We have a problem: our fellow member does not have enough to cover her payment. I would like to ask if you will agree to pay Lucero’s share.” “She has never been late before, and she has always made her payments. How much do we have to pay?” said one of the group members. “18.50 pesos [less than a pound] each”, explained the promoter. Everyone agreed. After that, the rest of the group continued with their respective individual payments. The meeting lasted 35 minutes. “It’s a group that has been meeting for over a year and has always been very supportive”, the promoter explained later.

The methodology is seen as quite simple: women who want to start a small business, or revitalise an existing one, form a group, and Compartamos offers a

²² The Mexican Credit Information Bureau (Buró de Crédito) is legally entitled by the Mexican government to collect, analyse and disseminate credit information pertaining to both commercial and consumer borrowers. It receives information (both negative and positive) from commercial banks, retail department stores, microfinance firms, leasing firms, telecommunications companies, real estate companies, automotive finance companies, credit card companies and non-bank credit companies.

loan. In 2012, Compartamos ran a client service campaign to promote its eleven Client Services Rules, summarising its service methodology:

1. Consolidation: all groups of clients must be well-selected and trained.
2. All groups must have meetings frequently.
3. Compartamos' promoters must attend all meetings.
4. All members of the group must attend every meeting.
5. No one can leave the group meeting until all items on the agenda have been addressed.
6. Compartamos' promoters (employees) must never accept anything, not even a glass of water.
7. 100% of all expenses must be covered on time.
8. Each client must receive the amount of loan they can afford: no more, no less.
9. Group problems must be resolved within the group, including debt collections.
10. There can be no front man or person that is not involved in a productive activity within the group.
11. Treat your clients with love, respect and genuine interest in serving them (the Golden Rule).

Compartamos has been recognised for its results. For example, on the “social value” dimension, the Microfinance Information Exchange certified Compartamos for its transparency and social performance, and the Mexican Stock Exchange included Compartamos in its Sustainability Index in 2011, 2012 and 2013.²³ Furthermore, Compartamos invests two per cent of its earnings in the social development of the communities in which it operates (Danel, 2013).

On the “human value” dimension, the Great Place to Work (GPW) Institute has recognised Compartamos for several years as one of the best places to work in Mexico. Since 2011, it has been ranked in first or second place in the category of more than 5,000 employees (see Table 4.3).

²³ The sustainability index is based on the 70 most liquid shares on the Mexican Stock Exchange. Companies eligible for inclusion are assessed according to their performance, impact and responses to emerging environmental, social and corporate governance issues, such as climate change, human rights, and policies and systems to counter bribery. In order to be eligible for inclusion, companies must score in the top 50 per cent of performers in their industry sectors (Kropp, 2010).

Table 4.3: Compartamos' Great Place to Work rankings

Year	2011	2012	2013	2014	2015	2016
Ranking	1 st	2 nd	2 nd	1 st	2 nd	1 st

Source: Great Place to Work, 2016

Furthermore, the GPW Institute has recognised Compartamos for “Fellowship”, for the organisation’s hospitality representing a family or team, for “Inspiring Pride”, described as enabling teams of employees who enjoy their work, believe in their mission and devote themselves to it with care, enthusiasm and creativity, and for “Absence of Favouritism”, in terms of its outstanding results arising from mechanisms that ensure equality and transparency of organisational processes and decision making (Genera, 2015a). Genera is also the first Mexican company to be recognised by the Work & Family Foundation, with rankings in the IESE Family Responsible Employer Index, and international accreditation for corporate family responsibility as a result of its keen interest in individuals and the integration of their work, personal and family lives (Genera, 2015a).

Regarding the “economic value” dimension, in addition to its constant growth in client base and loan portfolio since its foundation, in 2013 the company had the lowest non-performing loan ratio (3.12%) in the Latin American microfinance sector, and achieved a client retention rate of 84 per cent (Genera, 2013a). Furthermore, in 2012 and 2013, *Latin Finance* magazine named Compartamos the Best Microfinance Bank of the year.

Compartamos can be understood as organisations with hybrid characteristics (Kickert, 2001; Koppell, 2003; Thomasson, 2009) that combine two previously separate “institutional logics”: a development logic that directs its mission to help the poor, and a banking logic that requires profits to be sufficient to support ongoing operations and fulfil fiduciary obligations (Battilana and Dorado, 2010).²⁴ Therefore, Compartamos has faced the double challenge of being a success as a venture, while balancing the banking and development logics in order to avoid deviating from its social purposes or experiencing “mission drift” (Mersland and Strøm, 2010; Datar et al., 2010).²⁵

²⁴ Institutional logics are taken-for-granted social prescriptions that guide actors’ behaviour in their fields of activity (Friedland and Alford, 1991; Ocasio, 1997; Battilana and Dorado, 2010).

²⁵ Some scholars have criticised some microfinance organisations for mission drift, or in other words for becoming too focused on making profits at the expense of outreach to poorer customers, thus abandoning their mission to provide financial services to the poor (Mersland and Strøm, 2010).

4.4 Cultural background of Mexico

According to Dávila (2005), some global executives would be surprised to learn that many Mexicans like to work in the presence of religious images such as Our Lady of Guadalupe. Such images are not only tolerated but actively promoted in Compartamos. In order to understand the context of the Compartamos case study, it is necessary to explore some aspects of the Mexican culture that affect working styles and practices in Mexico.

Mexico is a “*mestizo*” country, which means that its people are of mixed race resulting from the combination of European and Indigenous American descent. The concept of *mestizo* is central to the Mexican identity, which is neither wholly Spanish nor wholly indigenous, and the word *mestizo* has acquired a double meaning of mixed cultural heritage and descent. During the siege of Tenochtitlán by the Spaniards in 1521, Tlatelolco was the scene of the last desperate stand by the Aztecs. In front of the church, a plaque displays these simple but moving words: “On 13 August 1521, heroically defended by Cuauhtémoc, Tlatelolco fell into the hands of Hernán Cortés. It was neither a triumph nor a defeat: it was the painful birth of the *mestizo* nation that Mexico is today.”

Riding (1984) tries to capture this mix by describing the Plaza of the Three Cultures in Mexico City, a central square that takes its name from the juxtaposition of buildings from three different periods: Pre-Columbian pyramids and ruins, a Spanish conventual church, and modern tower blocks. Riding (1984) argues that the birth pains of the *mestizo* race are not yet over. More than 490 years after the Conquest, Mexico’s identity remains ambivalent between the ancient and the modern, the traditional and the fashionable, the Indigenous American and the Spanish, the Oriental and the Western. “It is in both the clash and the fusion of these roots that the complexity of Mexico resides” (Riding, 1984, p.3).

Our Lady of Guadalupe, a symbol that synthesises the two cultures that emerged during the Spanish conquest, is present in daily Mexican activities, including business practices. The story goes that on the morning of 9 December 1531, a newly-Christianised Aztec peasant, Juan Diego, was walking up a hill in the Tepeyac area, near what is now Mexico City, when he heard a voice calling him from above and a brown-skinned woman appeared, announcing that she was, in fact, the Mother of God. She asked that a church be built for her on the spot where Juan Diego stood. Juan Diego told the bishop about the apparition, but the disbelieving prelate demanded concrete evidence. The Virgin instructed Juan Diego

to go to the top of the hill, where he would find special Spanish roses that could not possibly bloom there in winter. Juan Diego cut the roses and placed them in his *tilma* (cloak). Later, when he opened his *tilma* to reveal the roses to the bishop, an imprint of Our Lady Mary appeared on it. The bishop now believed in the apparition (Leeming, 2014). Eventually, the Basilica of Our Lady of Guadalupe was built, and it became the primary pilgrimage site in Mexico. The *tilma* image displayed there is the most popular religious image in Mexico. Today, this picture is present and displayed in homes all over Mexico, and is frequently seen in factories and businesses, accompanying workers and managers in their daily jobs. Our Lady of Guadalupe was *mestiza*. She shared many similarities with the Nahuatl goddess, Tonantzin, whom the Indians called “Our mother”. In this way, pre-Hispanic ecumenism was allowed within the new religion imposed by the Spaniards. She thus became and has remained the icon of Mexican-ness (Arnal, 2010).

In 1810, Miguel Hidalgo, considered the Father of the Nation, announced the beginning of the Mexican War of Independence by crying out in the public square: “*Viva la Virgen de Guadalupe! Muera el mal gobierno!*” (Long live the Virgin of Guadalupe! Death to the bad government!). Hours later, accompanied by a small, informal army of peasants and craftsmen, Hidalgo used a banner of Our Lady of Guadalupe that would later become the sign of the insurgents and the symbol of independent Mexico (Arnal, 2010).

As a secular, quasi-religious rite, each year Mexico celebrates its independence with a ceremony called “*El grito*” (the Cry). The highlight of this ceremony comes at eleven o’clock in the evening of 15 September, when the President of Mexico appears on the central balcony of the National Palace and “cries” an ode to the national heroes, ending with a resounding “*Viva Mexico!*” (Long live Mexico!), joined by a crowd in the main square. The same liturgy, at the same time, is repeated in every city in the country, and in every Mexican embassy and consulate around the world. This ritual seeks to replicate the beginning of Mexican independence; however, the government has replaced the praise of the Virgin of Guadalupe with “*Viva Mexico*”.

This change in the ritual illustrates the secularism currently promoted by the Mexican government. However, despite this anti-religious mood of the Mexican authorities and the secularism of modernity, Mexicans continue to value religion highly (De la Torre, 2014). According to Camp (1994), Mexicans live in a constant contradiction between, on the one hand, a secular government that promotes a liberal and non-religious education, and on the other, religious education at home:

“Both in school and at home, Mexicans typically have been raised in a contradictory social milieu that indoctrinates young people in nineteenth-century Mexican liberalism while providing them with moral points of reference within the dominant Catholic-Latin culture” (Camp, 1994, p.84).

According to the World Values Survey (WVS, 2015), average Mexicans rank adherence to the family, faith, work and national identity as the most important factors in their lives, and consider religion to be far more significant than politics (Camp, 1994; WVS, 2015; Newell, 2016). Eighty-three per cent of the Mexican population claims to belong to the Catholic Church (Ornelas, 2015). Catholicism has an ideological and cultural hegemony over Mexican value systems. It is therefore difficult to understand the cultural and social history of the country without addressing the influence of Catholicism (De la Torre, 2014).

One way of understanding the importance of religious practices to the activities of Mexicans in the twenty-first century is through pilgrimages (Shadow and Rodriguez Shadow, 1994). A pilgrimage to the Basilica of Guadalupe is considered by some to be one of the greatest pilgrimages in the world (Rinschede, 1992; Carrasco, 2010); for example, Carrasco (2010) claims that it is even greater than a pilgrimage to Mecca in Saudi Arabia or the Camino de Santiago in Spain. Just recently, on 12 December 2016 – the date on which the apparition of the Virgin is commemorated – the Basilica of Our Lady of Guadalupe was visited by more than seven million people (Gómez, 2016), and other temples in Mexico also receive millions of pilgrims annually (e.g. the Basilica of Our Lady of San Juan de los Lagos; Christ the King, a stone statue situated on the hills above Guanajuato; the Sanctuary of Chalma; Holy Infant of Atocha in Zacatecas; and the Basilica of Our Lady of Zapopan).

Leeming (2014) explains that Our Lady of Guadalupe represents the psychological bond between the Mexican people and the sacred power of the Mother. She is “the psychological underpinning of the Mesoamerican collective Self” (Leeming, 2014). Rodriguez (1994) argues that this symbol is a liberating and empowering catalyst, particularly for Mexican women. The Mexican Marxist writer, Carlos Monsiváis claimed that, despite not belonging to any religion, he, like most Mexicans, was Guadalupano (cited in Arnal, 2010).

The importance of Our Lady of Guadalupe in the daily lives of Mexicans goes far beyond faith; she is a symbol of national identity. As Arnal (2010) explains, throughout Mexico’s history, Guadalupanism has marked many aspects of Mexican culture, from the pillar around which Independence pivots, to the (few) goals scored

by the Mexican national team in football's World Cup. Attias (1999) claims that the anguish and fear caused by Mexico's economic crises of the late 1990s gave rise to an upsurge in religious experience.

Compartamos is not unaffected by this cultural influence. The founders have a strong Catholic tradition that, according to the case-study data, has influenced the bank's management practices. Religious images, mainly of Our Lady of Guadalupe and Mother Theresa of Calcutta, are frequently displayed on desks and around the workplace. Senior managers use religious culture in their value system to communicate the organisation's purpose and to influence the "how". Compartamos may be seen as the ultimate expression of this Mexican religious idiosyncrasy adapted to today's business workplace.

4.5 Poverty and women's marginalisation

Besides its cultural background, Mexico is characterised by poverty and economic inequality, and is among the 15 countries with the worst income distribution worldwide (Davies et al., 2007). There is considerable inequality, not only between rich and poor, but also between northern and southern Mexico, urban and rural, and men and women. To illustrate the country's economic disparity, at the beginning of the twenty-first century, out of a population of 122 million, more than 25 million people in over 300 cities were without decent housing, water, electricity and access to healthcare; even worse, of the rural households in extreme poverty, 59 per cent lacked drinking water, while 49 per cent of women had no access to pre-natal care (Woodworth and Hiatt, 2003).

In 2010, 52.8 million people in Mexico were living in poverty (46.1% of the population). Among these were 39.8 million living in moderate poverty and 13.0 million in extreme poverty (CNEPDS, 2014). According to a study carried out by Mexican economists (CNEPDS, 2014), the social deficiencies that most affected the population, and thus contributed most to poverty, were lack of access to social security (60.7%), public services (29.2%) and food (24.8%). In 2010, 19.4 per cent of the population lacked sufficient income to purchase basic staple food items, and just over half the population (52%) could not meet their food and non-food needs due to a lack of economic resources (CNEPDS, 2014).

Arriagada (2005) conceptualises poverty as the deprivation of essential assets and opportunities to which all human beings are entitled. This relates to unequal or limited access to productive resources and to low participation in social and political institutions. The perspective of women in Mexico is even more bleak. Women are

deprived of some resources that are available to men, even those in poverty, resulting in multiple disadvantages that particularly affect their gender (Valdemarca et al., 2006; CEPAL, 2007; Barrancos, 2008). At the Social Development Summit held in Copenhagen, Denmark in 1995 (Bonavitta, 2016), it was recognised that empowerment of women is a prerequisite for social development. In Mexico, poor women are the poorest of the poor, and additional gender inequalities hamper access to productive activities, economic resources, economic structures and policies (Bonavitta, 2016).

According to CEPAL (2007), in Latin America, the lives of 80 per cent of women are dedicated to housework, with little or no compensation and no access to social security or healthcare. Bonavitta (2016) explains that women in Mexico suffer exploitation, discrimination and exclusion. Women carry out a double or even triple working day, and must coordinate different rhythms, schedules and demands. Although female participation in the labour market has increased, a social and male response to this change in culture and women's behaviour has been absent (Bonavitta, 2016).

Navarro et al. (2014) explain that gender inequality is even greater with regard to wages; the percentage of women earning less than the minimum wage is almost twice that of men. According to the Global Gender Index, out of 135 countries, Mexico ranks 113th for participation of women in the labour market, and 104th for women's wages, which are lower than men's for similar work (Navarro et al., 2014). Furthermore, government aid designed to alleviate poverty is also lower for women than for men (Bonavitta, 2016). In 2008, 37 per cent of female heads of households living in poverty received no social security benefits, compared with 29 per cent of male heads of households (Inmujeres, 2010). Hence, poor women are the most illiterate, and have the highest levels of school drop-outs from elementary education and the lowest coverage by social security programmes (Navarro et al., 2014).

Compartamos' founders affirm that their social vocation emerged when they realised the levels of poverty, inequality and marginalisation in Mexico. Before entering the microfinance business, they had participated in social programmes for health and food assistance. However, serving the poor in a market of 52.8 million people also represents a huge business opportunity. Compartamos has therefore tried to balance the tension between accomplishing a social mission – giving financial opportunities to marginalised women – and being profitable in a very appealing market.

Along with high levels of marginalisation and exclusion in Mexico, there is also a lack of access to financial services. In 2013, only 27 per cent of individuals over the age of 15 had a bank account (Hernández, 2015). Mexico ranks among the lowest in Latin America in terms of the level of individual access to formal financial systems to conduct economic transactions. It is estimated that only 21 per cent of Mexico's population uses any type of formal banking service, compared with 85 per cent in developed countries such as the US and Germany (Rozo and Jhoany, 2011). According to a 2012 World Bank report, in the Mexican informal economy, the majority of the population uses cash and never visits banks to undertake financial transactions (Perez-Mendez, 2016). The National Banking and Securities Commission (CNBV, 2009) states that 65 per cent of the 1,584 cities in Mexico have no bank branches, and lack of access to the formal financial market particularly affects rural towns with fewer than 5,000 inhabitants, where the lack of branches rises to 96 per cent (CNBV, 2009). Informal loan and savings mechanisms are used intensively, usually to take advantage of opportunities, face crises, or provide the initial capital for entrepreneurial projects, often initiated by women (Bazán Levy and Saraví, 2012).

Low financial inclusion is detrimental to the poorest population who, faced with everyday disasters such as family illness, have to resort to informal loans that are much more expensive (Raccanello, 2013). Tejerina and Westley (2007) estimate that the informal sector (i.e. unregulated financing) provides loans to 18.8 per cent of households in Mexico.

The most common informal loans in poor sectors of Mexico are the "*tandas*" (informal rotating saving and credit associations) and the "*agiotistas*" or usurers (Raccanello, 2013). A *tanda* consists of a group of people who agree to deposit a specific amount of money with a specific frequency. Each period, the total group amount is assigned to one of the members by means of a random draw or auction process. Each *tanda* has an organiser who invites the members and defines the rules of operation. The main problem with *tandas* is that all members, with the exception of the last one, have an incentive not to continue to contribute the agreed amount after receiving their draw money (Raccanello, 2013). Usurers are also very common in the poorest neighbourhoods in Mexico. They charge monthly interest rates of between 15 and 20 per cent, and often use violence in their collection tactics (Raccanello, 2013).

Specialist authors in the microfinance field contend that providing micro-credit to women is a strategy to improve the situation of poverty in which they live (García

Horta et al., 2014); hence, the high levels of financial exclusion in marginalised Mexico provided a sense of purpose to the young group that founded Compartamos in 1990 (Rodriguez and Campuzano, 2010). Furthermore, with more than fifty million people living in poverty, those without access to the traditional financial system represent a huge business opportunity for microfinance entrepreneurs interested in serving the poor.

4.6 Compartamos' background

With this contextual information in mind, both the product and the motivation behind the early Compartamos become clearer. The founders are religious and concerned with poverty, and they seek not only to achieve goals that relate to the financial situation of impoverished people, but to do so in a way that promotes care – care of others and care of self. Compartamos' founders have aims that can be represented to some degree as having an impact on economic, social and human value. In the terms of this thesis, they have aims that require a focus on financial outcomes for the client and the bank, but also on the behaviours by which managers live their lives as Compartamos people. This care of self and others is seen by the founders as being an important aspect of life, and they also see this promotion of a good life as developing trust across relevant stakeholders.

Therefore, Compartamos seems to act as a financial agent, providing families at the bottom of the income pyramid with access to micro-loans, insurance, savings and payment channel products. Founders and senior managers claimed to take a legitimate interest in the individuals. The NGO evolved first into a commercial bank, then into a public company, and in 2013 it became an international financial group. In 2016 the group had more than three million clients and a loan portfolio of MX\$33.5 billion (approximately £1.35 billion).

Compartamos originated out of *Gente Nueva*, of which Ignacio Ávalos and Carlos Labarthe (founders of Compartamos) were members. *Gente Nueva* ("New People" in Spanish) was a social action organisation linked to the Catholic movement, *Regnum Christi*, committed to creating a values movement aimed at bolstering personal integrity. It was founded with the objective of improving the quality of life of marginalised communities in Mexico through social action, health and nutrition programmes. It started as an initiative by Mother Teresa of Calcutta who, on a visit to Mexico in 1982, proposed that youth groups should found an organisation focusing on promoting values (Torres, 2001; Mancillas, 2013). *Gente Nueva*

focused on promoting values through cultural strengthening by attracting media attention through social action (Mancillas, 2013).

After the earthquakes that devastated large areas of Mexico City in 1985, Ávalos and Labarthe saw an opportunity to help people.²⁶ They contacted the US Agency for International Development (USAID), which offered them food in exchange for community work. In 1987, Ávalos and Labarthe moved to Oaxaca and Chiapas, the poorest states in Mexico, where, together with USAID, they established programmes for health and food assistance (Rodríguez and Campuzano, 2010).

In 1990, USAID offered them the opportunity to participate in a micro-loans project, to which it donated US\$75,000 (Taracena et al., 2005). Compartamos' founders then learned the microfinance methodology from the Foundation for International Community Assistance (FINCA). FINCA's methodology consisted of providing loans to groups of small entrepreneurs and other micro-business owners. Each group was formed voluntarily, and its members supported full loan repayment. A board was in charge of collection and team cohesion, and no guarantee or collateral was required: the loan relied on trust in the person receiving it, and the only guarantee was the word of the recipient (Rodríguez and Campuzano, 2010).

In 1991, the general Mexican banking system was undergoing massive transformation. Having been nationalised in 1982 as a result of a macroeconomic crisis, the banks were re-privatised in 1991 as the Mexican government sought to rebuild the confidence of Mexican private investors and potential foreign investors (Maudos and Solís, 2011). In contrast, on 26 April 1991, Compartamos was constituted under Mexican law as a non-profit, anti-poverty organisation (Stuart, 2004). Danel remembers their beginnings:

Far from being the result of great, clear visions, Compartamos evolved almost by accident. What brought us together were our social values and our unwillingness to accept Mexico's income inequalities. We started doing volunteer work on health and nutrition, but it all got tangled up with our entrepreneurial backgrounds, and we ended up with a billion dollar company (cited in Chu and García Cuellar, 2008, p.3).

Mancillas, another founder, recalled the origins of the organisation:

²⁶ In September 1985, two earthquakes struck Mexico City. The first, on 19 September, registered 8.0 on the Richter scale, and the second, on 20 September, had a magnitude of 7.5. These caused at least 5,000 deaths, the collapse of over 400 buildings, and serious damage to another 3,000 buildings in Mexico City.

With the first USAID funds, we gave loans to poor coffee growers, black mud craftsmen, and some small cooperatives who planted chillies. We had a lot of enthusiasm and we wanted to help people, but we knew nothing about loans, so we lost all the money. We thought it was not our business, so we thought it would be better to change our paths to a different industry. But USAID supported us and gave us further resources (interviewed in December 2015).

As they looked forward to improving their project and getting to know the world of microfinance, Compartamos' founders read about a proposal by a Bangladeshi economist, Muhammad Yunus, who had designed a new banking model with the creation of Grameen Bank, which lent money to the neediest who lacked guarantors. Yunus shared his experience with many entrepreneurs around the world who were interested in designing microfinance institutions to help families from lower social sectors. In 1993, Mancillas travelled to Bangladesh to learn from Grameen Bank (Rodriguez and Campuzano, 2010).

When we learned about the “bank for the poor”, Compartamos was an NGO with four employees and 300 clients. I went to Bangladesh to learn about the way to give loans to poor people. I was sent to live in the lost communities of that country that were in extreme poverty. Very impressive. I spent four weeks there learning about Grameen Bank's operation and the way they created groups and gave loans. I documented all the methodology, which later became Compartamos' methodology (Iván Mancillas, interviewed in December 2015).

According to Mancillas, that trip helped to enrich Compartamos' philosophy and led to the setting of more ambitious goals where the scale of the endeavour became crucial:

Bangladesh is near Calcutta, so I went to see Mother Teresa to tell her that her trip to Mexico in 1982 had paid off, and that, inspired by her words, we had created a bank for poor women, through which we were already helping 300 women. “It's not enough”, was Mother Teresa's answer. At first, I thought she had not understood what I had told her, so I interrupted and told her that we had over 300 clients, poor Mexican women; we were going to help a hundred thousand other women and reduce poverty in Mexico. “It's not enough, it's not enough”, repeated Mother Teresa. I understood then that she was trying to send me a message. I remained silent and listened. Then I prayed a lot to try to understand her message. When I returned to Mexico, based on the inspiration of Mother Teresa, we began to draft documents describing Compartamos' philosophy, and we decided to set the goal of helping one million clients. I returned to Mexico convinced that, if we wanted to make a difference, we had to reach millions of people. Scale was what mattered most.

Compartamos' founders adapted Yunus' methodology. Rather than a communal bank, they created a product called an "Income Generator",²⁷ whereby groups of at least 15 women from the same community or neighbourhood received loans guaranteed under the solidarity of that same group, all of whom co-signed the loans. The amount borrowed individually was approximately MX\$900 to MX\$1,400 (around £34 to £53). Rather than charging "interest", they used the term "recovery". According to Compartamos, "these small details define our *Mística*²⁸ and make us different: we trust others, we believe in people. We know that what we say are not just words in the air, but rather assumed values" (Rodriguez and Campuzano, 2010).

Between 1993 and 1994, several bank branches were opened and the portfolio grew to more than 6,000 active clients. This growth was underpinned by funding from various institutions and donors, such as the Inter-American Development Bank and the Mexican philanthropist millionaire, Alfredo Harp-Helú. In 1995, the number of clients reached 17,500 and two co-CEOs were appointed: Carlos Labarthe was placed in charge of front-office activities (commercial, personnel and communications), and Carlos Danel was given responsibility for back office and operations (Taracena et al., 2005). Ignacio Ávalos remained president of the board of directors, and Iván Mancillas was appointed head of marketing and business development. In 1998, Compartamos opened its first branch in Mexico City and launched a new loan product called "Solidary Group".²⁹ With this product, it began also to lend to groups of men (Rodriguez and Campuzano, 2010). In 2000, Compartamos created its first individual loan product, aimed at clients who were already able to provide collateral or personal guarantees but required larger credit amounts.

As an NGO, Compartamos faced the problems of funding and dependence on donors (Chu and García Cuellar, 2008). With donations as the main source of funding, it was difficult to grow that funding and upgrade the model. It was therefore deemed that NGO status was not the most efficient way to reach the greatest number of people. Thus, a decision was made to turn the organisation into a financial institution and thereby enter the stock markets. The organisation sought investors who were willing to put up the US\$6 million capital needed to establish a

²⁷ They later called this type of loan "Credito Mujer" (Women's Loan). See Section 4.3.

²⁸ *Mística* can be translated as "mystique", meaning "sacred" or "spiritual". Compartamos Bank uses it to stress the organisation's beliefs and to describe the members' sense of ownership and commitment to its mission. The *Mística* is discussed later in this chapter.

²⁹ This type of loan was later called "Crédito Comerciante" (Commercial Loan).

“sociedad financiera de objeto limitado” (financial society of limited objective, or SOFOL), a single-purpose finance company regulated under Mexican finance laws.³⁰ The main objective was to increase funding sources in order to provide loans to more people (Sancho, 2011).

Owing to the higher level of government regulation, the transformation from NGO to SOFOL in 2000 required the introduction of more rigorous operating procedures and reporting standards. Compartamos responded by strengthening its back-office processes and corporate governance, and creating a strong board with independent directors (Taracena et al., 2005). According to an independent consultant interviewed as part of this research project, Compartamos has been very responsible in terms of corporate governance and has taken the matter very seriously: “They have been very professional. I would say they have followed an exemplary policy on issues of corporate governance, sustainability and accountability.”

A strategic planning exercise was conducted in 2000, in the process of which values grounded in the philosophy and *Mística* were defined. This exercise enhanced the skills of managers and employees and encouraged the development of warm and supportive relationships. The independent consultant who worked with Compartamos’ senior management team during the strategic planning process explained the reasons that led to the definition of the organisation’s objectives.

The senior management team was young and had ambitious plans. When we started the strategic planning process, Compartamos had many projects and alternatives. I remember that they had more than 130 different strategic projects. The organisation was already profitable and had an interesting base of over 50,000 clients. It was not a bank yet; it was a SOFOL. The opportunities were huge and the management team had many ideas. The strategic initiatives ranged from diversification of financial products and services to new social initiatives. They even proposed extreme projects, such as creating a new political party, or building football fields to promote sports for young people.

The consultant explained that their sense of purpose was so clear that they could quickly reject any project that did not have to do with helping the poor by giving them access to financial opportunities:

³⁰ Mexican financial laws allow SOFOLs to give loans and provide funding to specific sectors or economic activities that have no access to credit from traditional financial intermediaries such as banks.

Compartamos' concept of credit and loan is deep. In the first strategic planning session, when they were wondering what to do, the conclusion was clear: they wanted to provide opportunities for people by helping them to build their credibility. The most important thing for a person is his or her own name. The word "credit" comes from the Latin term *crēdere*, which means "to believe". When you lend money to a person, you are recognising his/her value, you are increasing his/her dignity, you are promoting his/her belonging to the community. That is the reason Compartamos gives loans. Then, Compartamos' conceptualisation of a loan is entirely related to its sense of purpose, to its concept of human nature (external consultant, interviewed in November 2015).

During a strategic planning meeting, Mancillas recalled his dialogue with Mother Teresa and convinced the board members to set the ambitious goal of a million clients:

They abandoned all other projects and decided to go for a million clients. The consequence of realising the tremendous potential of the market and setting the objective of scaling from 50,000 to a million clients in very little time required the quick development of the necessary business capabilities. For them, the most important capability was the ability to communicate the sense of purpose throughout the organisation (external consultant).

From that moment, year after year Compartamos organised retreats to enable all employees to experience the philosophy and *Mística*, and recognise the company's good results. In this way, Compartamos' senior managers sought to ensure that their business model was grounded in their values. According to one senior manager, "Our *Mística* is central to our business model. Regardless of moralism or transcendental ideas, our beliefs and philosophy are the essence of our business model."³¹ As will be discussed in Chapter 5, Compartamos also implemented various mechanisms to influence managers to act according to the *Mística* or, in other words, MCS to attempt to influence the "how".

In 2001, processes such as manuals, policies and methodological controls were standardised to transform Compartamos into a regulated institution. A series of meetings entitled "Building Compartamos' Future Together" was organised with staff, where the mission and values were enhanced, stressing the importance of not losing trust in people's word, and clarifying the meaning of helping clients to develop their personal projects and businesses (Sancho, 2011).

³¹ To illustrate the relevance of the *Mística* to Compartamos' founders, Appendix B presents an extract of a letter sent by Ivan Mancillas to Compartamos employees on 4 April 2006.

In 2002, two years after its launch as a SOFOL, Compartamos issued US\$20 million in bonds onto the Mexican commercial debt market. Between 1990 and 2000, it had grown from zero to 64,000 clients, with US\$4 million in loans and 25 branches. Over the next five years, as a SOFOL, it grew from 60,000 to 600,000 clients, with over \$200 million in debt and 188 branches (see Table 4.1). During that period, Compartamos expanded faster than any other microfinance institution in Latin America. In 2005, Compartamos was awarded the Inter-American Development Bank's annual Microfinance Excellence Award and the World Bank's CGAP (Consultative Group to Assist the Poorest) Financial Transparency Award.

As Compartamos became an established firm in the Mexican financial sector, the board began to ponder the limitations of the SOFOL licence, which restricted the products that it could offer to its clients. The board was particularly concerned about its inability to offer savings accounts, an important service for clients and a lower-cost source of funds. At the end of 2005, Compartamos applied to the Ministry of Finance for a regular banking licence. Having been granted the licence in June 2006, the SOFOL became a fully-fledged commercial bank, with the formal name of *Banco Compartamos, Institución de Banca Múltiple*, remaining in the microfinance market (Chu and García Cuellar, 2008).³² The business model promoted financial education through constant personal contact with clients, acquainting them with the culture of savings and provisions to avoid indebtedness. According to Carlos Labarthe, co-president of Compartamos:

Compartamos Bank is different from other financial institutions or banks because we provide our clients with development opportunities. More than selling money, we want to offer them an opportunity to improve their present and future life conditions (cited in Sancho, 2011, p.5).

On 19 April 2007, Compartamos went public. Investor interest was so high that the share price was revised upwards several times, ending at MX\$40 per share and giving the company a market capitalisation of US\$1.56 billion. The shares were allocated to institutional investors in the US and Europe, with a small percentage going to Mexican and other Latin American buyers (Chu and García Cuellar, 2008).

³² The Mexican banking system continued with major changes, a huge financial crisis in December 1994 and a gradual opening-up to foreign investment beginning in 1994. Not until December 1998 were restrictions on the entry of foreign capital to banking activity completely eliminated. In 2005, there was a banking concentration and little access to loans for many sectors of the population at the base of the social pyramid (Maudos and Solís, 2011). When Compartamos became a commercial bank in 2006, there was little competition in the microfinance market.

For the selling shareholders, the initial public offering (IPO) exceeded all expectations. According to Chu and García Cuellar (2008), sellers received more than 12 times the book value, yielding an internal rate of return of over 100 per cent compounded for eight years.

However, while the IPO was a success for the capital markets, reactions in the microfinance industry were unfavourable. Chuck Waterfield, founder of MicroFinance Transparency and faculty member at Columbia University, said: “I find that hugely ironic to claim institutional inspiration from Mother Teresa and then create US\$2 billion in stockholder wealth by lending to the poor” (cited in Chu and García Cuellar, 2008). Muhammad Yunus claimed, “I am shocked by the news about Compartamos’ IPO. Microcredit should be about helping the poor to get out of poverty by protecting them from moneylenders, not creating new ones” (cited in Hughes, 2007). Compartamos’ senior managers defended themselves, arguing that there was no fundamental conflict between the road taken by the bank and its social mission. Carlos Danel explained:

What we’ve failed to communicate externally is the concept of social value that is very well understood internally: reach more and more people, because microfinance is not only about money but also about social empowerment; attract competition from the financial sector so they bring their billions of dollars to the poor; and commit unwaveringly to our clients, the low-income people (cited in Chu and García Cuellar, 2008, p.15).

Mancillas added:

We had huge growth. After the IPO, the organisation turned into a big monster. Starting with four people, we suddenly became an organisation of 20,000 employees. The challenge was how to keep our essence, our *Mística*, our philosophy of having people at the centre, while we continued growing. As a company, we ultimately want the well-being of the country. Compartamos has never placed on the market any product that does not have a social impact on people’s lives, but neither has it placed a product that is not profitable and scalable as well (interviewed in December 2015).

As noted above, in 2013, the organisation formed a holding group, Genera. A senior manager explained the meaning of Genera:

Genera has many symbolisms. Obviously, it evokes “*Gente Nueva*” [New People]; moreover, it refers to “*Gente Entera*” [complete people], to Generate... Generate value, Generate for all. Genera became a general umbrella of a corporate transformation process. From a single bank [Compartamos] to a corporate group. The main

idea of Gentera was to establish corporate strategy, but also a corporate organisational development (September 2015).

The group now consists of six companies in Mexico, Guatemala and Peru: Compartamos Banco Mexico (the bank in Mexico), the leader in microfinance in Mexico with more than 2.5 million clients; Compartamos Financiera Peru, which offers microfinance services such as micro-loans, micro-insurance and savings in Peru, with 161,000 clients in 2013; Compartamos, S.A., a microloan company in Guatemala, with 58,000 clients in 2013; Aterna, a micro-insurance company in Mexico and Guatemala, with 3.2 million insurance policies; Yastás, which provides financial payments and transactions systems for the base of the income pyramid in Mexico, with 3,200 transactional points of sale in 2013; and Fundación Gentera, a foundation that runs projects relating to education, health and basic needs, and promotes voluntary work in various communities in Mexico.

Fernando Álvarez Toca and Enrique Majos took over the co-CEO positions. Álvarez Toca was appointed General Manager of Gentera's service, and Majos General Manager of financial services and CEO of Compartamos. Danel and Labarthe were appointed Co-President of Gentera Group and Co-Chairman of the Board respectively, focusing on strategy and no longer getting involved in day-to-day management.

In December 2015, as part of the 25th anniversary celebrations, the senior managers announced the Gentera-50 strategy, which focuses on reaching 10 million clients in the next 10 years. In order to achieve this new goal, they developed a new management structure: Enrique Majos was appointed General Manager for innovation and new business developments; Fernando Álvarez Toca, General Manager for financial services and CEO of Compartamos; Francisco Javier González, Deputy General Manager of Compartamos; and Manuel de la Fuente, Corporate General Manager in charge of information systems, finance, risks, compliance, legal department and personnel. Danel and Labarthe continued as Co-Presidents and Co-Chairmen. Figure 4.1 illustrates the evolution of Compartamos from an NGO to the Gentera Group.

From 1990 to today, Compartamos has faced the challenge of meeting financial goals relating to a desire, originally grounded in religious values, to empower those in poverty. The organisation has evolved to achieve those goals. This evolution has seen the use of MCS to encourage corporate behaviour that not only delivers economic, social and human value in respect of the client, but that seeks to promote a view of the good life as an end in itself for its employees, that might in turn operate

as a tool for generating trust across stakeholders. The organisation has attracted criticism from other microfinance providers for “selling out”, and indeed currently faces a mix of contradictory beliefs about the main purpose of the organisation and how to behave and appraise others in the organisation. Compartamos therefore provides a rich site to explore the challenges of managing an organisation that has both commercial and value-driven objectives.

Chapters 5 and 6 will present details and analysis of the MCS that senior managers have developed and been encouraged to implement in order to achieve the multiple aims of the bank.

5. FINDINGS I: Compartamos' MCS – Influencing the “how”

5.1 Introduction

As explained in Chapter 2, MC focuses on behaviour, in terms of senior managers attempting to align managerial endeavours with organisational aims and objectives. Traditionally, this has involved quantitative targets, the “whats” (Euske et al., 1993). However, there is evidence to suggest that organisations may also seek to align managerial values with those of the organisation (Bartlett and Ghoshal, 1993; Simons, 1995b; Marginson, 2009; Heinicke et al., 2016; Kraus et al., 2016). Such attempts to influence managerial mindsets through MC mechanisms may be described as organisational attempts to influence the “how”. In encouraging managers to adopt or promote certain values, organisations promote preferences for certain beliefs, rationales and ways of doing things over others. Historically, while targets were designed to shape outcomes, how managers acted in achieving targets was of less formal concern. However, when organisations focus explicitly on values, they are working on co-ordinating and shaping people’s rationale for doing things, and for doing them in a certain way.

Hence, how managers perceive the organisation and what it stands for (values), how managers implement these thoughts and views through their decisions and actions, and how these actions are linked to ideas of human potential and character may be variously explicit or implicit in organisations.

However, as explained in previous chapters, little is known about how MCS are used to influence the “how”, and even less is known about the possible consequences of such attempts. This chapter describes Compartamos’ use of a value system to seek to achieve the “how” (Marginson, 2009), why the organisation uses it, and how senior managers have implemented it in practice. In addition to the value system, Compartamos has put in place other MCS that seem to be used simultaneously to attempt to achieve both the “what” and the “how”. This chapter presents findings regarding these MCS.

Although the case-study began with the aim of gaining further insight into Mexican managers’ assumptions about human nature and how they use MC tools, it quickly became evident that a major aspect of inquiry should be the broader design and use of an organisational value system to align managers with the founders’ beliefs. Several expressions of this value system were identified throughout the case study in Compartamos, and these types of expression illustrate how organisations may attempt to influence managerial mindsets.

Examples of such expressions arose from the outset of the case study. For instance, during one of the first visits to interview senior managers at Compartamos, the bank was almost entirely empty. It was a Friday afternoon; the floor had spaces for almost fifty employees, but hardly anyone was at their workplace. When asked where everyone was, a member of staff responded that “today is the first Friday of the month, and everybody is at Mass”. After a pause, she added: “Neither my boss nor I attended today’s Mass because we were waiting for you. But I expect to go after leaving work.”³³ There is no penalty for not attending Mass, so a collective valuing of worship may emanate from shared values, or because employees feel pressured by peers or senior managers, or both. One manager remarked, “Attending First Friday Mass is a commitment that we have undertaken with Compartamos. That is what we have been told since the first day we came to work here.” This indicates a clear instruction to value this activity, according to this manager’s experience of the organisation. The First Friday Mass exemplifies activities that Compartamos has incorporated to disseminate the founders’ beliefs, which are the subject of this chapter.

Section 5.2 begins by explaining the top-down budgeting process followed by Compartamos to motivate managers to drive the organisation toward financial and other quantitative targets (the traditional “whats”). Section 5.3 presents Compartamos’ value system, first examining the nature and purpose of the formal value system, and then analysing the mechanisms used to communicate, implement and reinforce it. Section 5.4 explores the Code of Ethics, the whistle-blowing system and the Honour Committee. Section 5.5 describes the FISEP scorecard, and Section 5.6 presents the *Sueñómetro*, a mechanism that aimed to help managers fulfil their dreams. Section 5.7 discusses the intended effects of the value system on the behaviour of Compartamos’ managers, and Section 5.8 examines the unintended side-effects caused by its implementation. Finally, Section 5.9 discusses the findings.

5.2 Top-down budgeting: Driving the organisation to the traditional “what”

Traditional MC is a process by which senior managers influence other managers to implement the organisation’s strategies (Anthony, 1988), using budgets which tend to focus on efficiency, cost control, variance correction and target achievement. In

³³ “First Fridays” are Catholic pious devotions to the Sacred Heart of Jesus. According to the Catholic tradition, Jesus will grant extra graces at the time of their death to those who attend Mass and receive Holy Communion for nine consecutive months on First Fridays.

order to facilitate compliance with established goals, monitor possible deviations from approved business plans, and inform stakeholders about the organisation's results, Compartamos has a budgeting process with financial indicators which are reported to the Board of Directors and to several external entities (including rating agencies, the Mexican Stock Exchange, Mexican authorities and regulatory bodies) to monitor progress against the established goals and objectives.

Although Compartamos has monitored revenues and growth, mainly in terms of the number of clients, since its early days, the IPO in April 2007 created a need for tighter monitoring of financial indicators. Compartamos then established a top-down annual strategic planning and rigid budgeting process. A senior manager stated:

We realised that every single quarter a multitude of eyes would be waiting for our financial results; not just shareholders, but analysts, fund managers, and even competitors. Every one of them had earning expectations that urged us to tighten our budget process.

Growth in revenues and numbers of clients were key financial measures. Based on the organisation's growth target, the senior management team defined annual goals by business unit, region and department. Once the board had authorised the annual budget in November, each business unit director established objectives with specific and measurable targets for three main financial indicators: number of clients (How many clients do you give a loan to?), size of the loan portfolio (How much do you lend?) and default rate (What percentage of loans is in arrears?). Annual goals for these three indicators were cascaded down to every branch and to every promoter. Branch managers also had annual goals for the number of disbursements and employee turnover, while regional directors had expenses targets, in addition to the total budgets of their respective branches. Back-office departments (e.g. Technology, Operations, *Personas*, Finance) were cost centres: managers in those departments were held responsible for their costs and expenses, also with tight budgets.

The next step was tracking and monitoring, through which each goal was monitored monthly. Monthly strategic alignment meetings were used to review progress and note follow-ups on the budgets. There was then a final annual performance evaluation. Financial goals were fixed for the year. A senior manager commented: "Everybody knows that institutional goals and financial indicators are fixed and immovable. It is white or black, there is no subjectivity or excuses, either you meet

or you do not meet your goal.”³⁴ A middle manager added, “there is no variation analysis or a context/environment evaluation that may help to explain why someone didn’t reach his or her budgetary targets. Either you reach your goals or you will be penalised.” These fixed and immovable budgets appear to have been attempts to counter the ambiguity of certain concepts that will be discussed in the next section.

However, promoters and branch managers were required both to achieve the financial targets, and to do so in compliance with the *Mística* (formal values, see Section 5.3.1). An external consultant explained: “What is unique and complicated about Compartamos is that branch managers are motivated to achieve very aggressive sales targets and, simultaneously, encouraged to live and work according to the moral values of the *Mística*.” A senior manager added:

The life of the salesforce is tough. They have to go over the poorest regions of Mexico, walk for many hours, meet with their clients and reach their goals. Also, they have to do so in accordance with the behavioural standards defined by the *Mística*. Promoters are aware that their goals are immovable. Either they fulfil the targets, or they get a punishment.

In the early years of Compartamos, lack of competition and the size of the market seem to have allowed the goals to be reached with relative ease at the institutional level. However, from 2012, the attractiveness of the microfinance market led to increasing competition. Some interviewed managers reported that the rigidity and inflexibility of the budgeting process, along with the need to achieve the targets in compliance with the *Mística* and subject to the restrictions of the Code of Ethics (see Section 5.4), caused high turnover in the salesforce and conflict between achieving the targets and living the *Mística*.

In the period between 2007 and 2013, which predates this case-study investigation, Compartamos used BSC guidelines (Kaplan and Norton, 1996, 2000b). As part of the organisation’s strategic annual planning process, the senior management team developed and approved an organisational strategic map that was used as a basis to develop the objectives of other departments. Senior managers each developed their own department’s strategic map and individual targets. The BSC appears to have helped Compartamos to align its different departments with the “what”. A

³⁴ Although budgetary targets were fixed, some interviewees reported “tolerance” in the monitoring of target achievement of some managers who were actively involved in religious activities. According to these testimonies, it appears that, while there was tight and rigid monitoring of budget fulfilment, senior managers were “more tolerant” with some managers than with others. See Section 5.8 for a more detailed discussion of this tension.

middle manager working in the strategic department remarked: “We had 30 strategic maps, one for each department, all aligned with Compartamos’ strategic map. These maps and their associated measures and targets helped senior and middle managers understand what was Compartamos’ expected outcome.” Results were reviewed at monthly strategic alignment meetings. Compartamos excelled in the use of the BSC, so much so that The Palladium Balanced Scorecard Association, founded by Kaplan and Norton, creators of the balanced scorecard, included Compartamos in its Hall of Fame Class of 2011-2012 (Macht, 2013).

However, as a result of increasing business complexity, in 2014 Compartamos abandoned using the BSC³⁵ to focus only on monitoring the financial perspective and on defining fixed targets for numbers of clients, size of loan portfolios, default rates, numbers of disbursements and employee turnover. Notably, whilst revenue is still monitored, expenditure is not part of branch-level financial targets. A senior manager explained: “The balanced scorecard worked well when we were only a bank, but it was very time-demanding for a group of six companies operating in three different countries. Updating more than 30 strategic maps was too much.” It appears that just a few targets – numbers of clients, size of loan portfolios, default rates and numbers of disbursements – that were aligned with the organisation’s goals were sufficient to monitor and motivate managers to achieve the strategy. An external Board member added:

Compartamos is a business that complies with budgets, gives good financial results, and exceeds the market expectations. We do not relax in demanding budget achievement; however, short-term plans fulfilment is no longer the Board’s main concern. It makes much sense that we look more toward the forward strategy and design Genera’s future.

In 2015, the organisation implemented the Genera-50 Strategy (see Section 4.2), in which the senior management set more ambitious targets emphasising the “what”. (See Section 6.6 for further discussion of the Genera-50 Strategy and tension between the “what” and the “how”.)

5.3 Compartamos’ value system

As noted in Chapter 2, Simons (1995b, 1999) is notable in the MC literature for recognising that, as companies may require managers to go beyond simply

³⁵ In 2013, the Genera group consisted of six companies in Mexico, Guatemala and Peru. Senior managers found it difficult to capture the complexity of these companies in a BSC; thus, they decided to discard Kaplan and Norton’s (2000) BSC methodology.

understanding their organisation's purpose and value principles, and to share those values and desire to contribute to their realisation, this aspect of strategic behavioural alignment must be addressed in order to understand the interplay between different parts of MCS and behaviour. Consequently, the LOC approach is a helpful framework for this thesis. For Simons, value systems are mechanisms that communicate formally and reinforce systematically the values and direction that senior managers want subordinates to adopt. A value systems approach focuses on providing basic values, purpose and direction to the organisation (Simons, 1995b).

This definition identifies three pivotal and interrelated concepts in shaping a value system that, following Marginson (2009), are used to present and discuss the findings of this study of Compartamos: 1) values and purpose; 2) communication and implementation; and 3) intended behaviours that senior managers want subordinates to adopt based on the espoused values. However, because MCS may also cause unintended "side-effects", a fourth aspect is added to analyse and discuss the issues.

5.3.1 Nature and purpose of Compartamos' value system

As discussed in Chapter 4, Compartamos emerged from the social concerns of a group of young Mexicans who belonged to a Catholic institution called *Gente Nueva* (New People), the mission of which was activism through work on social projects. *Gente Nueva* used to organise events in which Catholic values were explained, spread and communicated in an energetic form that encouraged actions such as more active participation in community initiatives. As the bank's revenues, number of employees and clients grew, one of the most important concerns of Carlos Labarthe, co-president of Compartamos, was to transmit the founders' sense of purpose and values, and to generate in his managers a level of engagement similar to that of the young people who participated in social projects with *Gente Nueva*. Thus, the objective of the senior management team was to implement the founders' beliefs and align the organisation with those values. As a senior manager explained, "We ventured to make our values and what we thought about people explicit. Our commitment was to honour and to live our beliefs every day and to disseminate them to all levels of the organisation."

In 2000, the senior managers organised an strategic planning exercise. In that exercise, they defined the values that would ground their philosophy and *Mística* (Sancho, 2011). This term "*Mística*" essentially relates to values, or more spiritual and transcendental aspects.

Through the various ways in which the *Mística* is disseminated and monitored, controlled and rewarded. Compartamos has shaped a discourse through which all managers and employees, from co-presidents to the lowliest level, must seek to ensure that any decision taken in the company is based on the organisation's six main values (Compartamos, 2016):³⁶

- **Person** (*Persona*): “We strive to be better people with our people focus. We encourage total development under the Physical, Intellectual, Social-Family, Spiritual and Professional model [Spanish acronym FISEP].”
- **Service** (*Servicio*): “We dedicate ourselves to others because their well-being is of utmost importance to us.”
- **Responsibility**³⁷ (*Responsabilidad*): “We keep our word and accept the consequences of our actions.”
- **Passion** (*Pasión*): “We love what we do, creating inspirational leaders.”
- **Teamwork** (*Trabajo en equipo*): “We do more by working with others.”
- **Profitability** (*Rentabilidad*): “We do more with less by being creative and effective in providing better services.”

The idea that tasks should be achieved in ways consistent with the founders' beliefs (the “how”) grew as a result of criticism of Compartamos by the microfinance industry after its IPO in 2007. Microfinance practitioners accused Compartamos of having abandoned its social mission, focusing only on generating massive wealth for its shareholders (Chu and García Cuellar, 2008).³⁸ Nobel prizewinner, Muhammad Yunus criticised the Mexican bank for being “no better than an old-fashioned loan shark, earning its huge profits by charging poor borrowers a usurious interest rate of at least 79% a year” (Economist, 2008). Yunus condemned Compartamos' IPO:

You are on the money-lender's side. Your aim is the money-lender's aim. Your thinking is the money-lender's thinking. So I don't want to

³⁶ Appendix C summarises Compartamos' philosophy.

³⁷ Although Compartamos' documents (e.g. website and annual reports) translate the Spanish word “*responsabilidad*” into English as “responsibility”, this value appears to refer rather to “accountability”. Compartamos seeks to highlight that employees are accountable for their actions.

³⁸ Selling investors received more than 12 times book value, yielding an internal rate of return of over 100 per cent compounded for eight years. Thirty per cent of investors received over US\$440 million, whereas the original amount invested was US\$6 million (Chu and García Cuellar, 2008).

associate with you. I want to fight you! (cited in Carrick-Cagna and Santos, 2009, p.6).

In response to this criticism, co-presidents Danel and Labarthe wrote “A letter to our peers”,³⁹ which described Compartamos’ philosophy and the analysis behind the IPO:

We believe in people. We believe that microfinance is finance and has to be sustainable, that economic value is a consequence of social value, that the main contribution of microfinance is the expansion of the market, that microfinance has great economic value, and that the challenge of combating poverty is much larger than microfinance itself (Danel and Labarthe, 2008).

Therefore, since then, Compartamos seems to have defined more specifically what it believes. Compartamos’ founders and senior managers use various discursive means to spread their messages through the organisation. Although the research for this thesis started five years after “A letter to our peers” was written, it was constantly mentioned in interviews referring to the company’s *raison d’être*.

Danel and Labarthe claim that Compartamos is in the business of “trusting people”, and that this trust offers Compartamos’ clients and employees opportunities that they would not otherwise have: “We believe in people’s abilities, recognise their natural desire to prosper, and trust people’s desire to be self-reliant, so that my clients, but also my colleagues and contributors can fulfil their dreams and depend on themselves” (Danel and Labarthe, 2008).

The values and associated behaviour that some members exhibit seems to be seen as crucial to developing the right sort of growth as a business. The senior management team appear to assume that if they have and encourage the “right” sort of people, they will identify and enact the “right” sort of business, which is done for reasons other than pure money-making, and this will mitigate market’s potential for exploitation.

The literature on value systems suggests that organisational values should be expressed in broad terms in order to respect the very nature of values and make all company members feel included and engaged (e.g. Simons, 1995b; Marginson, 2009). Compartamos’ beliefs are consistent with this notion; for example, the rhetorical statement “we love what we do” receives no further explanation.

³⁹ “A letter to our peers” was an open letter written by the co-presidents of Compartamos, Carlos Danel and Carlos Labarthe. It was published on Compartamos’ website and has been reproduced on various microfinance Internet sites.

Interestingly, even “profitability” is written as a qualitative “value” and in subjective terms in order to promote the “how” (“being creative and effective”), rather than being expressed in terms of specific quantitative targets or financial ratios. For Compartamos, profitability is not just a matter of financial results; it is claimed to be another value centred on people. In espousing the value of profitability, Compartamos appears to provide a reason for its managers to optimise the bank’s resources (“do more with less”). A senior director explained:

Profitability is a value that moves us to achieve our main goals, such as eradicating financial exclusion or our personal development. Of course, profit matters to us; however, we focus not only on quantitative or financial aspects; we try to relate business terms directly to people.

This study reveals that the vagueness of some of Compartamos’ values generates unintended side-effects (discussed in depth in Section 5.8). In particular, the subjective definition of “profitability” creates confusion and ambiguity for some managers at Compartamos. As seen in the previous section, branches’ budgets are defined mainly in terms of numbers of clients and loan portfolio size, and cost and expenses are not included in financial targets. Senior executives who had been with the company for less than three years expressed particular discomfort. A newly-hired senior director said:

I come from a bank where we were used to calculating profitability by customer, by product, branch... We all knew what profitability was. At Compartamos, it is not the same; it is an ambiguous concept. Since the bank has a social origin, they tell us that we must reduce poverty, so some people are resistant to saying openly that making money is good; but as we are a public company, we owe it to the shareholders. Because of this tension, profitability is defined vaguely, and that confuses us.

Another senior manager hired in 2015 expressed a similar concern:

When I arrived at Gentera, profitability was not properly measured. Even on the Management Committee there was confusion about what profitability was. This idea of linking everything to the *Mística* and having “the person at the centre” generates no clarity on the cause-and-effect relationships in how Gentera makes money.

It seems that for managers at Compartamos, apart from the rhetorical statement of “we do more with less”, it is unclear what “profitability” is, or how it is calculated. The above quotations reveal some senior managers’ frustration with the vagueness of the concept. They gave the impression that it was unclear how the achievement of

budgets, indicated in terms of growth of loan portfolios and numbers of clients, would result in higher profitability. It may be that, with a high interest rate (above 75 per cent annually), more clients and loans automatically translate into profitability; another option that might be inferred from the previous quotation is that, owing to the social origins of the organisation, Compartamos may seek to highlight its social purpose while “being reserved” about its profits. The second option is unlikely to be true because Compartamos is a public company that has to report quarterly financial statements. Whatever the explanation, presenting “profitability” as a “value” without linking it to financial targets seems to cause confusion in some of Compartamos’ management team.

Similarly, the “person” value relates to “how” managers at the bank fulfil their role and “how” they might develop their potential as human beings. Compartamos claims to have a “person-centred philosophy”. However, it does not specify this “person” at the centre of the organisation: it may refer to employees, clients, managers, suppliers, shareholders or anyone else. From the lowest to the highest levels of the organisation, Compartamos claims that it attends to the needs of a vulnerable sector of society, and that its clients’ most basic needs are satisfied through the loans it provides. Compartamos’ founders and senior managers also argue, sometimes even in evangelical terms, that they try to conceive Compartamos’ clients, managers and employees as people with real-life needs and real-life problems, and also with real talent to start or drive a business that will help them to overcome their difficulties. A branch manager explained that “Compartamos’ mission is to work with self-fulfilled employees and clients”, meaning, as another director explained, “that they fully accomplish their dreams, and that they are able to rely on themselves”.

Thus, Compartamos’ social purpose apparently lies behind its attempt to influence the “how”. Compartamos’ senior managers seem to believe that the company’s driving forces are its human capital and managers’ abilities, and to assume that intrinsic and relational attitudes toward work lead to greater job satisfaction (Borzaga and Tortia, 2006). The literature on explicitly social organisations suggests that when managers’ endeavours are rich in social components and interwoven with explicit or implicit goodness, symbols, personal development and mission accomplishments produce commitment to the organisation’s objectives and job satisfaction (Toraldo et al., 2016). Compartamos tries to recognise these conditions by putting the “person” at the centre of its philosophy. Compartamos’ CEO commented:

People here perceive their job as something bigger than in other places. Companies impact on society just by existing – they generate jobs, they pay taxes, etc. But Compartamos has a deeper impact because serving clients that are in greater need creates a larger social impact than other companies. Compartamos and its leaders have had the clarity of using the rules of the market to fulfil social objectives. The commitment of the people here is contagious. It exceeds what I expected. In no other job have I felt like this.

However, having “the person at the centre” of Compartamos’ philosophy seems to be an ambiguous concept that may create confusion throughout the organisation, giving rise to excuses for not achieving budgets. As will be discussed in Section 5.8, some interviewed managers claimed that poorly performing colleagues used the concept of having “the person at the centre” to argue that they had not achieved their budgetary targets because they had been concentrating on other aspects of “the person”, such as improving their health or enhancing their spiritual life. This argument was possible because Compartamos states that all aspects of a human being (health/physical, intellectual, social-family, spiritual and professional) are not just equally important, but are equally motivated and monitored by the bank (see Section 5.5).

Unlike other financial institutions (Iltner et al., 2003), Compartamos emphasises not only business targets, but also the social and spiritual ideas of its principles. Compartamos’ claim that it encourages the “integral human development” of its managers appears to be based on a Catholic view of human beings (Benedict XVI, 2009; Heinrich et al., 2009).⁴⁰ The role of the six values appears to be to give more direction in clarifying how managers’ should act (e.g. work with others, keep one’s word and accept the consequences). Thus, Compartamos provides evidence of a more process-oriented value system than is normally visualised (Simons, 1999). Compartamos’ motives for attempting to influence the “how” seem to be based on its social intentions and are explicitly religious.

⁴⁰ Compartamos’ founders appear to have borrowed the concept of “integral human development” from Catholic social teaching. Paul VI used the concept of “integral human development” in the Encyclical Letter *Populorum Progressio*: “Development cannot be limited to mere economic growth. In order to be authentic, it must be complete: integral, that is, it has to promote the good of every man and of the whole man” (cited in Heinrich et al., 2009, p.2). More recently, Benedict XVI, in *Caritas in Veritate*, refers to “integral human development” to explain that economic development alone is not enough. People and communities have material needs, but human flourishing and well-being also have spiritual, social, cultural and political dimensions (Benedict XVI, 2009). Compartamos uses the term “total development” or “integral development” to emphasise that the development of its managers should include not just the economic or professional dimension, but also other dimensions such as physical/health, intellectual, social, family and spiritual.

One explanation for the organisation's attempt to influence the "hows" may be the founders' belief, based on their religious background, that working at Compartamos will enable managers to enhance their values and improve their lives. As previously indicated, the founders not only think in financial terms, but also try to help their subordinates individually to look after their needs and "be better". Throughout the interviews conducted with Compartamos' senior managers, it was clear that they had no pre-established ways of helping people to be better. This could be enacted in a myriad of ways, such as supporting them in quitting smoking, accomplishing goals at work, losing weight or obtaining microloans to start a business. A senior manager said:

The only reference to define what actions help people be better is that there is a rational and coherent explanation of why those actions would help. For example, if a person yells at his peer but his peer feels diminished and insulted when they are yelled at, then there is no reason to keep yelling at them. So what does it mean to help people be better? It could mean anything, as long as they are in fact helping to create better people.

This indicates encouragement of the principle of self-reflection and awareness of oneself within a collective. Yet, as in the case of "profitability", as Compartamos has grown, vagueness in the definition of "being better" has created tensions that will be discussed later in this chapter.

Rhetoric and symbols relating to "being the best we can" are present throughout the company's documents and discourse. For example, in the foreword to Compartamos' Code of Ethics and Conduct, co-presidents Labarthe and Danel state:

We recognise that every business has the potential to be an agent of change in society, respects the dignity of all people, and promotes the common good. It is therefore essential to foster not only the welfare of the people working in it, but also their well-being, promoting that the work that each one carries out helps him/her become a better person, form a better family, and build a better world (Labarthe and Danel, 2013).

In the same document, Labarthe and Danel explain that "welfare" means "meeting the need for subsistence and comfort: shelter, clothing, livelihood, health, recreation, safety", and "well-being" means "the set of values that make life more pleasant and give it its true meaning: respect for personal dignity in the exercise of one's own initiative, freedom, responsibility, access to education and culture, happy

and orderly family life, social promotion, and civic, political and religious life” (Labarthe and Danel, 2013).

At Compartamos, managers seem to believe that work is not the only aspect of people’s lives; outside work, managers have families, personal projects, health issues, hobbies and needs. A senior manager explained:

When you interact with a subordinate, a peer or client, even if you are addressing a professional subject, you are not exempted from being a father, or a sportsman, or having hobbies. And all these everyday experiences directly influence their performance at work.

Therefore, Compartamos’ founders have also tried to take account of people’s out-of-work lives, to determine what might make them better. Again, this might be anything, as long as people’s lives improve as a whole. Compartamos’ beliefs about human nature are present in the way senior managers deal with their subordinates.

A senior manager claimed:

At Genera, we seek to have self-realised people whose actions are focused on creating social, economic and human value. We know that our subordinates are not a resource or a means to achieve financial goals. We believe that each of our collaborators is an end in him/herself. Therefore, our job is not only to achieve our business goals, but also to aspire, through our self-realisation, to achieve the objectives and take care of our people.

The senior managers interviewed stated that an important task of leaders in the organisation is to train and develop their managers according to the values of dignity, solidarity, subsidiarity and the common good (Genera, 2015b). A recently-hired manager claimed that this idea is particularly strong, creating some consensus and clarity in relation to how to behave. He stated that in other banks for which he had worked, the idea of the common good had been absent:

Good is defined simply by the superiors’ arbitrary considerations ... At Compartamos, what is good and what is wrong is always clear, and it does not depend on the opinion of the boss, as is the case in other organisations. The clarity of Compartamos’ transparency and values prevents the “double-standard” of other banks, and it also prevents personal interest from rising above what is considered to be the common good of the organisation.

Compartamos’ value system, based on the founders’ religious background and social purpose, is consequently presented to Compartamos’ managers as “fit for purpose” (Marginson, 2009) through the way it is explained in its documents. In this sense, as Simons (1995b) posits, value systems provide senior management with a

means of infusing all personnel with a set of ideal ways of operating (the “how”) that should be attractive to all levels of the company.

5.3.2 Mechanisms that communicate and reinforce the “how”

Compartamos has developed a number of mechanisms that seek to measure and monitor how people behave. The company’s values and aim to encourage people to be “good” and to be the best they can have been translated into a number of formal practices, including the annual philosophy (*Mística*) survey, the FISEP scorecard and, more recently, the mentoring and mid-year review process. These practices are discussed in detail below. Before doing so, it may be useful to explore other aspects of value/mission dissemination and socialisation, as in some respects such activities form the conditions of possibility for the aforementioned formal diagnostic values-based systems.

When Compartamos was smaller, the founders’ values were conveyed and reinforced through daily contact (Simons, 1995b). Iván Mancillas, one of the founders, explained: “We needed everyone to understand and live the *Mística*. During the first eight years, Carlos Labarthe and I did it directly. Our job was to trigger the *Mística*.” The founders appeared to understand the power of symbolism and inspiration (Westley and Mintzberg, 1989) and realised that believing in organisational values may help motivate subordinates and make managers more eager to expend effort on reaching broad goals (Simons, 1995b). Labarthe explained: “When we hired someone, we invited them to believe in a single cause: a better Mexico – not with richer people but with better Mexicans, characterised by better values and better causes.”⁴¹ This quotation is an example of the approaches used by Compartamos’ senior managers to persuade managers that the founders’ values are “better” and that, by following them, managers can become “better Mexicans”. Thus, as argued by Bell and Taylor (2003), discourse is a tactic for elevating the meaning of work through the construction of a potentially transcendent purpose.

As the bank has grown, Compartamos has developed tools that aim to communicate and implement the company’s values, and ensure that managers live by them. A senior manager remarked, “We decided to institutionalise our values; you can see them back there written on every desk and in every office, there is the mission, vision and the values.” (Appendix E shows a philosophy chart in a picture frame, as displayed on every Compartamos desk.) Mancillas indicated that an

⁴¹ Appendix D details the recruitment and selection process.

important challenge was the dissemination of the philosophy as the bank grew: “Some years we hired more than five thousand employees and we needed everyone to understand and live the *Mística*.”

Senior managers started to conduct large-scale symbolic activities. For example, Compartamos established a weekly integration breakfast to discuss the values, and a Catholic Mass on the first Friday of each month. A senior manager remarked:

In Mexico City, all employees had to walk to Mass at *El Sagrado Corazón de Jesus* church every first Friday of the month. We are an organisation with a Catholic inspiration and we do not feel ashamed of it. So we pray the Rosary at the beginning of important meetings. We installed bells in every office, bells like those in the churches of the small villages in Mexico, and every time there was a celebration we rang the bells. These elements were symbolic acts that allowed the dissemination of our *Mística*.

All employees have an image of Mother Teresa of Calcutta on their desks, with the mission statement, and messages emphasising the six values (see Appendix E). As one senior executive said: “We’ll always have Mother Teresa on our desks because we have to honour our history. Compartamos is a miraculous history and we will always tell it as it is.” In training sessions and monthly meetings, the Communications Department hands out pictures with an image of Our Lady of Guadalupe on one side and the meeting’s message on the other. Senior managers encourage their subordinate managers to place these images on their desks, so a typical Compartamos desk has Mother Teresa and Our Lady of Guadalupe framing messages emphasising that Compartamos’ collaborators should live the organisational values.

Compartamos also attempts to disseminate values through training. From the moment employees are hired, the organisation invests heavily in their training. Two types of training were identified. The first relates to the technical aspects of employees’ jobs, and the second relates to the organisation’s philosophy, focusing on the development of attitudes, behaviours and values. Compartamos starts with a one-year induction process consisting of three stages: initial training, certification six months later, and further training after one year. Newly-hired employees are required to explain publicly how they have experienced the *Mística* in their first year (Appendix F details the induction process). Senior managers reinforce this training with annual accreditation of the Code of Ethics and Conduct and with ongoing training courses. Compartamos’ 2015 Annual Report states that, in order to raise awareness of the benefits of acting based on the *Mística* and uphold the

organisation's Code of Ethics and Conduct, in 2015 the company ran ethics courses for 22,559 employees (Gentera, 2015a).

Training processes encompass all levels of the organisation, from the co-presidents to the lower levels. Table 5.1 presents the yearly average training hours by position.

Table 5.1: Yearly average training hours by position

Position	Average Training Hours
Sales representatives	61.70
Managers	37.50
Coordinators	26.10
Executive directors	18.60
Deputy directors	15.50
Directors	10.50

Source: 2014 Annual and Sustainability Report

A manager explained:

All our programmes are designed to convey the *Mística* and the idea that people are at the centre of the organisation. In 2014, we ran nearly three thousand 90-minute sessions for the salesforce alone. Directors were sent to a Catholic business school to participate in a course on human nature with very similar concepts to those that Carlos Labarthe and Compartamos' founders promoted. We have put screens in all offices and branches, where the message is reinforced with videos; for example, a video where a branch manager talks about values and links the message with the objective of meeting sales goals, non-performing loans and the branch loan portfolio. Another video talks about teamwork. Branch managers are also trained to perform dynamic sessions to disseminate the values to their colleagues and teams.

This quote reflects the extent to which the organisation has invested in spreading values through training, with almost three thousand 90-minute training sessions for the salesforce in one year. In order to achieve this amount of training, Compartamos' Human Development Department (HDD) trains all branch managers in regional two-day programmes, and branch managers then each carry out the 90-minute sessions with their promoters. Compartamos' 2015 Annual Report states that a total of 1,777,753 training hours were provided for the organisation's employees in 2014 (Gentera, 2015a).

Training is both online and face-to-face. Forty per cent of yearly training hours are about the *Mística* and 60 per cent are about technical aspects, such as product methodologies, internal systems, and specific knowledge and tools required to carry out a role and to achieve individual budgetary targets. The *Mística*-related programmes include online courses and field training on human development, focusing on the integrated development of managers to address skills, knowledge,

behaviour and attitudes in personal, family and social environments. Through these courses, the Training Department seeks to raise awareness of health issues, and uses cases and testimonies to exemplify Compartamos' ideal behaviours in family and spiritual matters. For example, courses have presented how some senior managers have developed habits of piety or have managed to balance family issues with management responsibilities at Compartamos. The human development training is complemented with aids to collaborators' integral development (see Chapter 6, Table 6.1). *Mística* programmes also include ethics workshops, in which managers discuss ethical dilemmas faced by typical bank employees in Mexico. Courses and workshops are adapted to the profiles and positions of participants. *Mística*-related programmes incorporate an annual online accreditation on the Code of Ethics and Conduct. (Section 5.4 elaborates on Compartamos' Code of Ethics and Conduct, and mechanisms for complying with it, including the annual accreditation.)

Compartamos runs courses on personal finance, client service and technical characteristics of the bank's financial products. The training sessions highlight the six values and emphasise the importance of target attainment. Updates are also carried out through face-to-face training in the branches, addressing specific methodologies and related topics about skills that need reinforcement. Compartamos has 80 regional trainers, plus 60 instructors in its Mexico City headquarters. At the end of every face-to-face training session, the Training Department monitors and scores training practices on a monthly management scoreboard. Moreover, to try to guarantee that all Compartamos' managers are not only aware of the functions inherent in their position, but also know, understand and are committed to the *Mística*, Compartamos uses tools such as an accreditation process, surveys with branch managers, employee interviews, instructor feedback reports and report cards. After any training period, every employee must complete an online re-accreditation process after 37, 120 and 180 days, at the end of which they obtain accreditation for the position. In addition, the Training Department has indicators such as the number of trained managers, and data on managers' learning, service, attendance, training costs, training hours and pass rates, which keep them informed of progress. Furthermore, Compartamos carries out updating and levelling activities through onsite workshops on specific methodologies in the branches, as well as reinforcement of people skills.

However, to further disseminate its values, Compartamos focuses on identifying and training its potential leaders. Mancillas said that, from the beginning, the founders

knew that only through the indoctrination and training of leaders could they implement the *Mística*:

We identified future leaders. Every senior manager had an obligation to identify and train future leaders. We talked with future leaders weekly on a one-to-one basis. We asked how they were and how they were evolving. Our goal was to make each of them an inspirational leader, so they could later train the next leaders. Then, deep workshops and retreats were carried out to develop self-knowledge. We invested a lot of money and time in disseminating values and explaining our concept of human nature.

In order to focus on the development of potential leaders, Compartamos developed a leadership programme called *Serviazgo*⁴² to educate leaders and potential leaders on the organisation's philosophy. According to Compartamos' 2012 Annual Report, 72 per cent of managers who had participated in the leadership programmes continued to work at the organisation, and 24 per cent of participants had been promoted within the organisation, 46 of whom had risen to middle management or senior positions (Compartamos, 2012).

Another mechanism to reinforce the organisation's values involves various forms of internal communication and formal social activities. Table 5.2 summarises the frequency with which each mechanism is used, and how it is used. *Mística*-related messages are everywhere – in elevators, branches, desks, offices, and even in rest rooms – constantly disseminating required manager attitudes in an effort to achieve a consensus around a standard set of beliefs and behavioural patterns. For example, in the corridor facing the elevator on the 14th floor of the corporate building is a sign reading: "Use the stairs instead of the elevator. Live your FISEP and watch your health." Also, a monthly benefits bulletin is sent by email to remind managers of the benefits of practising FISEP. The internal communications department broadcasts 45-second videos of stories that have inspired managers to take various actions to live the *Mística*. Appendix G presents other examples.

ComparTips TV is yet another device used to spread beliefs. Senior managers are broadcast on TV screens placed in offices and branches, explaining how they live a particular value or giving advice on how to improve sales, enhance relationships

⁴²*Serviazgo* is a Spanish adaptation of "servant leadership" (Greenleaf, 1977). It combines the words "service" and "leadership", presenting the idea that a great leader is first seen as a servant. Mancillas developed the concept of *Serviazgo* as a model to motivate people in Compartamos to become inspirational leaders and to stress the importance of leadership based on serving others: "someone who possesses and uses self-knowledge to pinpoint and recognize his/her own motives, values and abilities" (Mancillas, 2013, p.22).

with clients, or achieve better work–life balance. It is mandatory for branch managers to gather all their subordinates together once a month to show them the ComparTips TV shows. The messages in typical televised shows feature actors and TV characters such as sports players (or, in the case of Compartamos, senior managers) on the TV screens to get closer to tele-spectators, creating a sense of intimacy (Duncan and Brummett, 1987; Hilliard, 1996; Delaney and Madigan, 2015). Employees may feel that they know the senior managers very well, just like when the bank was small and Mancillas and Labarthe talked with everyone on a one-to-one basis. A branch manager explained:

Although I have seen Carlos Labarthe very few times in person, I feel that I know him very well. It's the same with Paco González. Maybe it's because of the way they both give their messages or when they appear on the screen explaining Compartamos' philosophy. Also because Carlos Labarthe always asks me about my family and how I feel at work.

Duncan and Brummett (1987) state that televised programmes provide an opportunity for tele-spectators to become closer to the actor or sports participant. Tele-intimacy is:

both the visual closeness of the television viewer to the subject and to the development of an emotional attachment between actor and viewer ... The development of the audience identification with characteristics is a principal means by which viewers' attention to the narrative is maintained (Hilliard, 1996, p.116).

As a result, managers at Compartamos may admire senior managers and the way they live their lives, and may thus want to follow senior managers' example, a type of MC by example. ComparTips TV encourages closeness and identification with senior managers, which seems to be key to influencing behaviours.

Compartamos also has several formal social activities that may contribute to the reinforcement of organisational values. The process of communicating the six values and aligning them with managerial values includes annual, monthly and weekly meetings (see Table 5.2 for an explanation of these activities, including a brief description of the content). To set the tone, these events start by praying the Rosary; then, besides the business objectives (e.g. reviewing budgets or strategic indicators), the meetings always include *Mística*-related activities. People at Compartamos usually call them "FISEP" activities, because the meetings involve actions or dynamics relating to physical, intellectual, social/family, spiritual or professional aspects.

Table 5.2: Mechanisms for communicating and reinforcing Compartamos' values

Mechanism	Type	Frequency	How it is used
Mission statement, credo, values and other documents, such as "A letter to our peers"	Document	Continuous	Communicate the organisation's values and purpose to establish a shared vision and values to inspire and motivate managers (see Appendix C for an explanation of Compartamos' philosophy).
Internal communications: noticeboards, Intranet, screens, e-mail, internal bulletins and magazines	Document	Constant	Reinforce the values and philosophy by constant communications about development. Compartamos proselytises to persuade managers to share the founders' beliefs (Appendices E and G present examples of these documents).
Religious images of Mother Teresa of Calcutta and Our Lady of Guadalupe	Document	Constant	Strengthen founders' beliefs and <i>Mística</i> by accompanying religious symbols with messages relating to Compartamos' values (Figures E.1 and G.1 present examples of Compartamos' internal documents with religious images).
ComparTips TV	Audio-visual	Monthly	A TV show that emphasises a monthly message relating to the values and generates closeness between senior managers and their subordinates.
Integration breakfasts	Social/business meeting	Weekly	Short meetings in every branch to highlight the week's key activities. To strengthen the <i>Mística</i> , meetings start with a prayer. Branch managers engage in dynamic activities (e.g. board games, group dynamics) that illustrate the <i>Mística</i> and help socialisation among branch collaborators.
Integration meetings	Social/business meeting	Monthly	Gatherings at a national level in each office or at headquarters to keep all managers informed of relevant aspects of the institution. These give internal communications greater impact. They start with praying the Rosary, and then new hires are introduced so that all who are already part of the organisation can meet and welcome them. Directors recognise employees with better accountability by publicly giving "Above the Line" rewards.
Strategic alignment meetings	Social/business meeting	Monthly	Meetings with different departments in the main office and sales sub-departments to review progress and note follow-ups on budgetary strategic indicators. They start with the prayer of the Rosary, and then indicators and plans are presented.
Annual meetings for sales and administrative staff	Social/business meeting	Annual	Strengthen peers' integration and alignment with the company purpose. The Rosary is prayed, integration activities conducted, and <i>Abrazos Compartamos</i> (Compartamos Hugs) awards presented to managers who distinguish themselves for living Compartamos' values.
Volunteer work	Social/religious activities	One day per year	Sensitise managers and collaborators to Mexico's social problems, thus engaging them with a broader mission of reducing poverty and developing "better Mexicans, characterised by

Mechanism	Type	Frequency	How it is used
			better values and better causes”.
First Friday Mass	Social/ religious activities	Monthly	Invitation to participate in a Catholic Mass. Reinforces the idea that total development of a human being includes the spiritual dimension, and links with the Catholic origins of the organisation. The Mexico City headquarters has a chapel. Employees in other places walk together from their Compartamos branch to the nearest church.
Annual Mass at the Basilica of Our Lady of Guadalupe	Social/ religious activities	Annual	All employees are invited to an annual Mass at the Basilica of Our Lady of Guadalupe to give thanks for the yearly results and to pray for the next year’s objectives. This event seeks to align managers with the strategic objectives and link the business objectives with the organisation’s religious values.
Recruitment and selection process	Selection	Constant	Clarifies the job functions and required attitudes and values. Assesses the person’s skills and interests in meeting expectations (see Appendix D for an explanation of the recruitment process).
Induction	Training	New hires	Introduces the systems and tools required in the job, but mainly presents the business culture and philosophy. The indoctrination process begins through the <i>Mística</i> guardians. The induction training process lasts one year (see Appendix F for an explanation of the induction training process).
<i>Mística</i> -related development	Training	Constant	Focuses on the development of attitudes, behaviours and values linked to Compartamos’ philosophy. Addresses the person’s integral development through online courses and field training. <i>Mística</i> -related courses aim to provide managers with the tools they need to become part of the corporate culture and guarantee that all managers know, understand and are engaged with the <i>Mística</i> . Includes annual online accreditation on the Code of Ethics.
Ethical criteria workshops	Training	Constant	Focus on studying real cases in order to analyse applications of the general principles outlined in Compartamos’ Code of Ethics. Managers and promoters discuss real cases raised by themselves. The workshops are adapted to the profiles and positions of the participants.
Technical and product training	Training	Constant	Online and on-site training programmes develop technical, operational and administrative skills to help employees succeed on the job. These include financial products, Compartamos’ methodologies, internal systems and other operational and technical knowledge.

Mechanism	Type	Frequency	How it is used
<i>Serviazgo</i> leadership programme	Training	Constant	Focuses on educating future potential leaders on Compartamos' philosophy. " <i>Serviazgo</i> " combines the words "service" and "leadership" based on the idea that a great leader should be first a servant. The <i>Serviazgo</i> leadership programme is a key element in ensuring that the mission and vision statements are experienced by every employee. It is designed to train leaders who, "through their experience and willingness to serve others, achieve both self-awareness and at the same time, accomplish maximum generation of social, economic and human value" (Compartamos' internal document).
Philosophy annual survey	Measure	Annual	Annual survey comprising 78 questions that evaluate how employees live Compartamos' six values (see Section 5.3.3 for an explanation of the philosophy survey).
<i>Mística</i> Guardians	Example	Constant	Managers who are examples of behaviour for the rest of the organisation. They also act as sentinels who both guide and introduce new employees to Compartamos' beliefs, and identify and correct wrong behaviours (see Section 5.3.4 for an explanation of the <i>Mística</i> Guardians).
Uniform	Symbol	Constant	Mandatory use of the uniform makes all employees "equal", seeking to create a sense of identity by wearing the uniform with pride. " <i>Ponerse la camiseta</i> " (wearing the shirt) in Mexico means that when the company requires additional effort from employees, they are willing to provide it.

Source: Researcher based on data analysis

For example, events include activities such as solving puzzles or playing board games. These FISEP activities are designed to generate interpersonal interactions and foster teamwork, which is one of the bank's values.

Compartamos uses social/business meetings to present managers with awards for both outstanding results based on target attainment and remarkable behaviour in living the *Mística*. The organisation has two main annual recognitions: first, the Annual Award for Excellence to the best branch of each region, which is granted on the basis of financial results (i.e. favourable variations against budgets); and second, *Abrazos Compartamos* (Compartamos Hugs) awards, which are given to managers who stand out for living the values. *Abrazos Compartamos* awards are granted on the basis of popular votes: all members of a department deposit in a ballot box a card with the name of a manager who has stood out for living the values of the organisation, explaining why this colleague deserves the award. With these

awards, Compartamos seeks to recognise both the “what” (achieving budgets and financial results) and the “how” (living organisational values).

5.3.3 Value measurements

The extant literature posits that, by their nature, values preclude quantification as a set of metrics (Simons, 1995b; Marginson, 2009). For Simons (1995b, 1999), values should be sufficiently broad and vague to allow all members of the organisation to feel included. Mission statements, for example, should be appealing to all members of the organisation, from senior managers to lower levels, regardless of their position or the type of task required. Moreover, Simons states that, owing to this vagueness, values cannot be tied to a formal incentive system, nor used as standards to measure performance (Simons, 1995b). Marginson (2009, p.12) adds that “value systems do not conform to the traditional cybernetic model of management control”.

Contrary to this notion, Compartamos encourages daily living of its philosophy by seeking to measure its values. As noted above, there are various examples of formal measuring and monitoring that attend directly to the values. One of these is an annual survey comprising 78 questions which aims to evaluate how managers have lived the six values themselves and experienced them in terms of their working environment. In each question, Compartamos establishes the desired behaviour, and managers must rank how they have experienced that value. The survey includes both self-assessment questions, and appraisals of how respondents’ bosses and colleagues live the *Mística*. The survey uses a Likert-type scale (from 1 Strongly Disagree to 5 Strongly Agree), requiring responses to statements such as:

- This place is free from criticism
- In your department, everyone is treated equally
- The employees in your department work with passion
- I’m passionate about what I do
- The work I do is very important for society
- When I make a mistake, I have the confidence to say that I am wrong
- My peers feel able to say that they are wrong
- It is easy to say that I disagree and provide solutions
- When someone is in trouble, I support and help him/her.

Based on these responses, Compartamos develops an index for each of the six values and a general *Mística* index. According to a senior manager, “To achieve the proper realisation of our values throughout our operations, we manage and monitor

compliance with the concepts of our philosophy. We create tools that allow us to broadcast these guidelines to all our managers and establish indicators to generate corresponding action lines.” In 2014, the overall *Mística* index was 86 per cent, with scores of 94 per cent for passion, 80 per cent for person, 88 per cent for profitability, 84 per cent for responsibility, 90 per cent for service, and 80 per cent for teamwork (Gentera, 2015a).

Compartamos has detailed information on these indexes by region and by branch. Although this survey is conducted in isolation, independent of performance measurements, Compartamos’ HDD uses it as an input to identify branches or departments that, based on the index, are not living according to the *Mística*. A senior manager remarked that “the survey is a tool to diagnose those aspects that we need to strengthen internally in living the *Mística*”. The HDD is responsible for both the measurement and improvement of the index. This department gives annual feedback to branches, offices, regional directors and departments with detailed information on how they are fulfilling each value. It also uses the information to develop programmes that aim to improve lower rating scores. When a branch has lower results than the Compartamos average, the HDD visits that branch and tries to diagnose the causes by verifying the survey responses point by point. Because of the way in which the average is calculated, there are always branches below average. The HDD tries to push up the average index of the whole bank by visiting branches with lower rankings. In addition, it develops specific programmes designed to foster improvements to poorly-rated values. These programmes include manuals and videos showing desired behaviours. The head of HDD explained the process:

We visit the branches with the lowest index results. We interview everyone in the branch. We show each of them the results of the survey explaining what is wrong. Then we start with the programmes, which include procedures and videos with examples of the desired behaviours. Managers at the branches obey us; they see our department as the police, and they follow the instructions and memorise the procedures.

This manager’s comment indicates that Compartamos regards this function as analogous to that of a police department, with the objective of enforcing the observation of specific rules and behaviours considered to be correct or positive. The head of HDD expressed pride in the authority and obedience resulting from these procedures.

One manager explained that, in 2014, the lowest-rated value was “teamwork”, but Compartamos was able to improve it through the development of programmes and

dynamics: “Overall, Genera improved two points, but some regions went from 70 to 80 per cent for compliance with the value.” Through these mechanisms, Compartamos increases the index or measures; however, there is no explicit mechanism for proving the validity of this measure in terms of managers or employees showing improvement in their application of, belief in, or enthusiasm for the values.

Thus, although this means of testing provides Compartamos with data on how managers report how they are “living the organisational values”, it may also raise concerns about potential cheating or response distortion. This Philosophy Survey and the HDD’s visits to branches with lower results (perceived as “policing”) create incentives to game the tests. Managers may be motivated to convey a contrived image of the values’ internalisation that is positively biased and represents the prototype of an ideal Compartamos manager (Leary and Kowalski, 1990; Ellingson et al., 2007). Research on similar types of test, such as personality assessments and psychometric measures for hiring purposes, confirms that participants are able to distort their responses favourably (Viswesvaran and Ones, 1999; Alliger and Dwight, 2000). One informant confirmed, “of course, you’ll try and fit your answers to match”, adding:

We understand the organisational values very well and we know the type of answers top managers are expecting, so you’re unlikely to tick the box that says you disagree with teamwork attitudes or that may send a message that your branch doesn’t have a nice work environment.

To complement the data from the Philosophy Survey, Compartamos uses the annual survey of the Great Place to Work Institute (GPW) as another mechanism for gathering information on how the organisation lives and works according to the *Mística*. In addition to a marketing strategy to attract talent, various Compartamos departments (e.g. the HDD, the *Personas* Department and the Senior Management Committee) use the GPW as an input to readjust their value system and establish programmes that reinforce desired behaviours. Based on the GPW results, training programmes are modified and certain behaviours are reinforced via ComparTips TV.

Compartamos’ senior management team recognises that individuals may alter their behaviour based on assessments to which they are subjected because such assessments focus attention on specific variables, and what is measured is presumed to be important (Ariely, 2010). Regardless of the reliability of these

instruments for measuring values, Compartamos achieves a certain level of consistency by measuring the same variables, calculating the *Mística* index, and receiving detailed results from the GPW every year.

5.3.4 *Mística Guardians*

Senior leaders at Compartamos encourage managers to promote the organisation's philosophy by setting a behavioural example. This may be seen as an MCS implemented through the characterisation of exemplary behaviour by "key" people in the organisation. Compartamos calls these individuals "*Los Guardianes de la Mística*" (*Mística Guardians*).

Mística Guardians are individuals with seniority and a rich set of anecdotes that vividly illustrate the organisation's fundamental values. Through their participatory testimony, *Mística Guardians* are responsible for generating commitment to living and protecting all the elements that make up Compartamos' philosophy. The Guardians do this by sharing their experiences in their own words and interacting with other managers, encouraging imitation so that managers commit themselves to living in a manner consistent with the philosophy and the Code of Ethics and Conduct. The main objective is to infuse everyone around the *Mística Guardians* with the "Compartamos spirit".

The *Mística Guardians* also play an important role in initiating new members into Compartamos. These leaders bear witness to new hires by sharing their experiences of working at Compartamos, motivating new hires to live Compartamos' six values. The Guardians also provide new hires and managers who have been promoted with guidance on the philosophy, especially regarding essential aspects such as the mission, vision, values and Code of Ethics and Conduct.

Through co-existence and day-to-day working with other managers, the Guardians also try to identify and correct wrong behaviours, such as actions or attitudes that are prohibited by the Code of Ethics and Conduct (see Section 5.4) or that are perceived as going against the six values. Hence, *Mística Guardians* enable "the Compartamos way" by inspiring through their example, but they also control and restrain through observation and correction. As one Guardian remarked:

A colleague became angry in a meeting and yelled at one of his peers. After the meeting, I went to his desk and explained to him that what he had done was wrong. I told him that he must apologise. Also, I recommended that he make a plan to work on his anger. Patience is a virtue that controls anger, so I proposed a plan to

develop patience. Then, I went to his immediate boss and suggested that he follow up on that plan.

Desired behaviour must be observed, even outside work. Another Guardian commented:

I saw a photo on Facebook of a group of people wearing Compartamos uniforms, sitting at a table with beers. Drinking alcoholic beverages while wearing the uniform is forbidden by the Code of Ethics. I was not sure that they were actually drinking those beers, but the photo gave a bad image of Compartamos, so I investigated who was the boss of that group, I showed her the photo and asked her to look after the future behaviour of her team.

The Guardians are vigilantes of the “how”. They play a pivotal role in pursuing “value congruence” (Liedtka, 1989), which means aligning managers’ beliefs with organisational values. The Guardians, as Compartamos leaders, seek to link the values and interests of their collaborators with the organisation’s philosophy and culture by creating congruence between what they say and what is done (Sancho, 2013). The Guardian’s job is carried out on a one-to-one basis, setting and showing “how” standards by telling stories of the benefits of living the values, discussing the *Mística* and pointing out mistakes. Guardians also emphasise the importance of meeting budgets to achieve Compartamos’ purpose. As expressed by a Guardian:

Everybody should understand that in order to eradicate financial exclusion in Mexico we all need to achieve our individual targets. I always insist – from day one in the induction process and in all my conversations with future leaders – that the fulfilment of our individual budgetary targets is a step toward reducing poverty and to having a better Mexico.

The Guardians’ emphasis on the day-to-day work, on targets and on *Mística*-related issues combined with targets, appears to be directly linked with the organisation’s broader purpose of reducing poverty by eradicating financial exclusion through people who behave “well”.

This constant dialogue increases the engagement of both Guardians and their “pupils” with the espoused goals and values. Conversations between Guardians seem to act as “ideological talk” (Kraus et al., 2016), with face-to-face dialogues between Guardians and other managers about ideological themes relating to Compartamos’ ideology. Kraus et al. (2016, p.4) argue that:

Ideological talk allows senior managers to help their subordinates to envisage how their work fits into the idealised vision of the organisation. The ability of “ideological talk” to categorise the world

verbally and to emphasise the organisation's uniqueness and importance gives managers a powerful instrument of control.

The Guardians are successors to the task of identifying, indoctrinating and training leaders which Labarthe and Mancillas set out when the organisation was established. *Mística* Guardians transform the dissemination of values into a proselytising process. Proselytisation is common in religious organisations seeking to convert people from one belief to another, but a criticism of proselytisation is that it runs the risk of being inappropriate or manipulating (De Freitas, 2014). The right to disseminate religious beliefs includes attempts to proselytise and convert others; however, this must be balanced against individuals' right not to accept such beliefs. Controversy revolves around whether such an approach constitutes an inoffensive exchange of ideas or a form of request under pressure, or even harassment (Arai and Arai-Takahashi, 2002). Section 5.8 discusses and elaborates on this controversy at Compartamos, where, although many managers may adopt the founders' values, others may feel pressured or harassed.

5.4 Code of Ethics and Conduct, whistle-blowing system and Honour Committee

Although Compartamos has tried to reduce the typical ambiguity of value systems by establishing measures with its *Mística* index and guidance through the Guardians, the values are still open to interpretation and the formal measures and staff discussions cannot pre-empt every possibility. Thus, as suggested by the literature (Marginson, 2002; Widener, 2007; Mundy, 2010), Compartamos establishes boundaries that proscribe certain actions and behaviours and transform managers' beliefs into more focused and purposive actions. Thus, the *Mística* interacts with the rules and sanctions of the Code of Ethics and Conduct.

Compartamos has clear restrictions, described in a 42-page guide entitled "Compartamos' Code of Ethics and Conduct". The objective of this Code is stated as:

... to share the ethical principles of the organisation by defining behaviours that shareholders, board members, and employees must follow. The Code promotes high standards for encouraging ethical and professional behaviour in order to preserve the integrity and reliability of Compartamos Bank, ensure compliance with the laws, and protect the interests of clients, while establishing a fair and equitable work environment for all employees (Compartamos, 2008, p.27).

The guidelines include business restrictions, such as forbidding the granting of credit to certain industries and sectors (e.g. wineries and businesses related to alcohol consumption), behavioural boundaries during working time, such as restricted use of computers and other parameters for what not to do in the office, and behavioural boundaries outside work (e.g. not driving while drunk).⁴³ One director explained:

Thanks to the Code, our collaborators in Compartamos understand clearly what is not permitted. For example, we are not allowed to receive gifts or presents from clients – not even a glass of water. This is very important for our branch managers or for a salesperson that actually has to visit her clients' homes. It is absolutely forbidden to accept anything and, I repeat, not even a cup of coffee or a glass of water.

Another director remarked:

It is perfectly clear what is against Compartamos' values. No employee can drive while being drunk at weekends or use the computer to watch porn or gamble, either in the office or outside the office, or at night when nobody is watching. Actions like getting drunk or gambling are perfectly described and condemned by the Code of Ethics.

All new employees are expected to study and understand the Code. The recruitment and induction process includes an examination that candidates must pass in order to become Compartamos employees, and new employees must be accredited no later than 60 days after being hired. One director said: "The exam includes practical cases and even some theory about what is allowed, what is not, what you would do, and what you would not do." All managers must then confirm every year that they have re-read and understood the Code and agree to perform their daily work activities in compliance with the principles. They must also gain an annual accreditation that includes another examination to prove that they still understand Compartamos' philosophy and remember every aspect of the Code of Ethics and Conduct. A top executive explained:

⁴³ The Code of Ethics includes the following restrictions: a) *conflicts of interest*, where an individual concern or need might complicate a board member's, manager's or employee's decision on how to act; b) *use of information*, regarding how to deal with the confidentiality of organisational, client and supplier information, and use insider or privileged information; c) *relationship boundaries* between collaborators and other board members, clients, suppliers, managers and employees; d) *corruption*, regarding internal or external actions considered improper; e) *use of assets and services*; and f) *care* for the Compartamos brand.

We want all Gentera's employees to live the Code of Ethics and Conduct. We have a video with clear examples of conflicts of interest and other situations that they may encounter. For example, an employee who falls in love with his boss, or when a relative – let's say her mother – asks Compartamos for a loan: in both cases, the video explains how we should notify the situation to the department of internal control.

Managers are encouraged to report or disclose any violation of the Code through the whistle-blowing system. Compartamos guarantees absolute confidentiality.⁴⁴ In order to process, analyse and investigate claims, it has an Honour Committee responsible for watching over and enforcing the Code of Ethics and Conduct. The Honour Committee investigates every complaint, then listens to involved parties, deliberates and, if necessary, applies sanctions.⁴⁵

Senior managers at Compartamos seem to be aware that their subordinates may be self-interested; therefore, to reduce temptation, the Code of Ethics and Conduct may work as a set of boundaries on conduct (Simons, 1995b, p.42). This is particularly important in Mexico, where corruption permeates society and seriously affects the country's legitimacy, accountability and effectiveness (Edmonds-Poli and Shirk, 2015). In the 2016 Corruption Perception Index, Mexico was ranked 123rd out of 176 countries, where first place is awarded to the least corrupt country (Transparency International, 2016).⁴⁶

A senior manager explained some of the conflicts faced by Compartamos' promoters and branch managers:

The temptation for mismanagement is huge, not to mention that poor people in Mexico are very generous. They always offer gifts. Our female clients want to feed our promoters and offer them free goods. Promoters face a dilemma. If the officer doesn't accept the food or goods, the ladies feel offended. It was necessary to set limits, first to help promoters to reject gifts without offending the clients, but also to prevent officers from conditioning the granting of a loan on receiving a gift or a bribe.

⁴⁴ Compartamos has three mechanisms for reporting violations of the code: by email to denuncia@compartamos.com; by a hot-line used exclusively for complaints; and by mail with prepaid postage.

⁴⁵ In 2013, a total of 410 complaints was lodged: 205 in Gentera, 192 in Compartamos Banco, three in Compartamos SA, five in Compartamos Financiera, and five in Yastás (Gentera, 2013a).

⁴⁶ Mexico scored 30 out of 100 points in the Corruption Perceptions Index. A perfect score, i.e. with no corruption, would score 100. Denmark was ranked first with a score of 90 points (Transparency International, 2016).

Another senior executive added, “Promoters have aggressive goals, and there are many prohibited activities. Officers are always tempted to commit fraud or grant loans to forbidden sectors in order to reach their goals.” Apparently to reduce temptation, Compartamos has established a policy of “not even a glass of water”. Everyone in the organisation, including clients, is aware that employees cannot receive gifts from clients or suppliers.

Senior managers claimed that they observe employees, study their behaviour and discuss business practices in order to prevent misbehaviour. A senior manager explained this type of observation with an example of a situation faced by Compartamos in the reimbursement of travel expenses, and how the organisation changed its procedures to prevent wrongdoing:

Initially, we reimbursed officers their travel expenses. But in Mexico’s poorest populations, the transport system does not give receipts; hence, we were forcing our promoters to cheat and get receipts elsewhere, or even to falsify them. Hence, we changed the policy. Now promoters have fixed expenses for transport without asking for receipts. The amount is linked to their level of promotion: if they outsell, their status will increase and they will receive higher transport expenses.

The original policy on reimbursement of travel expenses is a good example of a system that may cause dysfunctional behaviours. Compartamos’ promoters were cheating to get receipts “required by the system” for their reimbursement. Some officers with high ethical standards might perceive these types of system to be unfair. Senior managers at Compartamos were sufficiently flexible to identify a source of dysfunctional behaviour and change the system. Managers who act fairly are willing to right injustices (Cropanzano et al., 2007; Cugueró-Escofet and Rosanas, 2016). In this case, the system was formally unjust, but Compartamos’ managers analysed the situation and transformed it into a functional system.

During the case-study research, no complaints were observed or heard about the Code of Ethics and Conduct or the whistle-blowing system. Managers and employees appeared to be comfortable with the limits and the means for denouncing non-compliance and wrongdoing. The intertwining of the value system and the Code of Ethics and Conduct reinforces “how” a particular task should be achieved and “how” managers should fulfil their roles. This frequent reinforcement of the *Mística* through the value system (see Table 5.2) and constraints may help to enhance “value congruence”. The continual interplay between value system and

boundaries seems to mould Compartamos managers' behaviour to suit the founders' beliefs and the business strategy (Bartlett and Ghoshal, 1993).

5.5 Physical, Intellectual, Social-Family, Spiritual and Professional (FISEP) Model

Compartamos claims that it is able to create three equally important types of value: social, economic and human. With respect to "human added value", as previously mentioned, senior managers at Compartamos claim that "the person is at the centre" of their philosophy: "We strive to be better people with our people focus" (Compartamos, 2016). A senior manager explained: "Genera's philosophy establishes unwavering commitment to the individual, and in response to this genuine interest, we have created a blueprint to promote a culture of comprehensive development, which, in turn, will put us firmly on the path to a full, happy and healthy life." The founders tell their managers that "the only way to achieve a balance in every aspect of our lives is to integrate them, which basically means to unify all parts" (Mancillas, 2013, p.125). This 'blueprint' is the FISEP model, standing in Spanish for Physical, Intellectual, Social-Family, Spiritual and Professional which was used to develop a scorecard.

Contrary to the notion presented in the MC literature that it is impossible to measure values (Simons, 1995b; Marginson, 2009) or to link them to formal incentive systems (Simons, 1995b), as part of its planning process, Compartamos developed this scorecard as a measurement system to evaluate how much the lives of staff had improved, and to what extent they had become "better people". The FISEP scorecard considered "all dimensions of the person", with physical, intellectual, social-family, spiritual and professional targets. A senior manager explained that it is important to "understand that a person has many facets in his or her life. You cannot conceive of them only in the professional aspect because you would be a little short-sighted." One of the founders added: "We need to determine what our goals are in each of these areas and learn to balance them if we are to lead successful, rewarding lives." Until 2014, Compartamos used the FISEP scorecard as an important factor in assessing each manager's annual performance, tied to the incentive system.

Following a top-down annual strategic planning process, each business established objectives (see Section 5.2) and every manager set yearly objectives with specific and measurable targets for the physical, intellectual, social-family, spiritual and professional dimensions. Besides the business budgets, which included targets on

numbers of clients, size of loan portfolios, default rates, numbers of disbursements, employee turnover and expenses, managers also had FISEP targets. The process of defining and evaluating individual performance started with goal definitions for both business-related budgets and FISEP targets. Managers proposed their own goals to their supervisors, and the supervisors approved them or suggested adjustments. If any changes were needed, managers were urged to propose a new set of targets. Goals were linked to achievable activities with specific timeframes.

FISEP targets were very diverse. A senior director explained:

On the physical dimension, people establish goals like participation in the bank community sports games, attendance at a sports club, or challenges such as quitting smoking or losing weight through physical activity. On the intellectual dimension, typical targets are participating in English courses or improving reading skills. But everybody knows that they need to prove that they have accomplished the target, so the target needs to be very specific. On the spiritual side, people set targets such as attending an annual spiritual retreat, joining the church choir, or attending Mass more frequently. From the social-family aspect, we encourage goals such as spending more time with their children or solving a specific marriage problem, but they are also free to establish social goals. Finally, from the professional perspective, examples of objectives are keeping up to date with courses, getting a certification, graduate degrees, or participating in the banking sector's Operations Week.

For middle managers, until 2014, individual budgets (i.e. individual financial business-related targets associated with the strategic objectives of their department)⁴⁷ were worth 45 per cent of their total performance evaluation, FISEP targets were worth 30 per cent, and institutional goals (i.e. targets based on Compartamos' performance as a whole, defined by the board and affecting all employees in the same way) were weighted at 25 per cent.

After setting the targets, the next step was tracking and monitoring. Managers made their own preliminary tracking and monitoring reports, and then their supervisors approved them or recommended adjustments. Each goal was monitored at least once every six months. There was then a final performance evaluation. Again, managers made their own final evaluations and presented their reports to their supervisors. Goal compliance was measured from zero, meaning that the goal had

⁴⁷ In the case of the salesforce, these targets related to numbers of clients, size of loan portfolio and default rate; branch managers and regional directors additionally had targets for numbers of disbursements and employee turnover. Back-office managers had expenses budgets and non-financial targets defined in the annual strategic process.

not been accomplished at all, to 100 per cent, meaning that the goal had been accomplished on time with no failure. Annual bonuses were formerly granted only if managers achieved at least 70 per cent of their goals across the dimensions outlined above. A senior manager explained the procedure with the example of one of his directors who had set a very aggressive weight-loss target:

When he proposed such an aggressive weight reduction target, I asked him if it was realistic, and how he was going to meet the challenge. He convinced me and I accepted it. By the end of the year, he had had a wonderful performance in all the business aspects, and he had exceeded all his goals; however, he hadn't accomplished the weight reduction, so he didn't receive his bonus.

A newly-hired senior manager criticised these types of measurement and the consequent rewards and punishments: "There was significant confusion between business goals and personal issues. For example, I heard about a manager who was given a bonus because he had lost weight. That was absurd."

Linking the incentive system to FISEP also led to complaints and reports of undesirable behaviours. Interviewees reported various forms of data manipulation and dysfunctional practices akin to budgetary slack. For example, it was claimed that a manager who was an experienced runner set in his FISEP the goal of participating in a 10-kilometre race, knowing that the target involved no challenge for him. With respect to spiritual and social-family goals, it was apparently easy for managers to tell lies: it was very difficult for immediate supervisors to verify whether their collaborators had really attended Sunday Mass, met their daily prayer targets or visited their elderly parents. Although senior managers' intention was to commit all managers to their own personal development, linking FISEP to the bonus became a source of distorted information. Some people even became cynical about Compartamos' idea of changing them, and distortion of information was seen as necessary for survival in the organisation (Argyris, 1990). A former manager explained the data manipulation:

We learned to play the game. If they were going to give me a 30 per cent bonus for my FISEP results, I set goals that were easy to meet or difficult to verify. How would my boss know if I was telling the truth that I went to confession at least once a month? Or I established relatively easy targets, knowing in advance that I had evidence of fulfilment. One year I said that I was going to read a book per month, and before the beginning of the year I even had the list of titles that I would put in case my boss asked me for evidence.

Compartamos' remedy for this problem was the closeness of the directors to their subordinates. The more engaged senior managers seemed to be with Compartamos' *Mística*, the more they talked about nearness to the people in the organisation. As one manager remarked:

I have frequent individual meetings with each member of my team. I constantly talk with them on a one-to-one basis. Often, I invite them for a cup of coffee outside the office so we can create a confidential environment. Then I ask them how they feel, how they are doing in each of their personal issues. I also open myself up and talk about myself to generate confidence. The constant dialogue and proximity are key to our FISEP model.

Another manager claimed, "I know my collaborators so well that I know beforehand when they set a goal that they are not going to be able to fulfil. I also detect when they are exaggerating or lying."

In most cases, managers ended up granting 100 per cent bonuses. A senior manager remarked: "What interests me is knowing that people are making an effort to improve and to develop their personal virtues. We all know that the bonus is already given." Therefore, since it was difficult to ascertain the veracity of the indicator, and demonstrating compliance was always in the hands of the individual being assessed, it was assumed in this case that, simply by defining a target on a FISEP issue, that target would be achieved. Hence, the bonus was taken for granted. In other words, although it looked like a scorecard designed to measure "values" quantitatively and reward achievement accordingly, its use was open to variability in practice depending on the manager doing the evaluating and the way they wanted to run their relationships.

However, the main problem reported was that the FISEP scorecard might de-focus managers. The fact that the formal performance evaluation included personal goals (i.e. FISEP) might divert managers' attention from Compartamos' more direct business activities and budgetary targets. It also enabled managers to make excuses when they did not reach their financial business targets. For example, an interviewee talked about a manager who was concentrating on training to run the Mexico City Marathon, which was one of his FISEP targets, thereby justifying his low productivity with regard to his other responsibilities. Another manager talked about a colleague who justified not having reached her financial goals as having been the result of being family-focused and enhancing her spiritual life, in which she had exceeded all targets. However, during the study, no evidence was found that these types of "distractions" or "excuses" affected the overall performance of

Compartamos. From 2012 to 2016, the bank met market expectations and its overall budgets reported to investors (Compartamos, 2012; Gentera, 2013, 2014b, 2015a, 2016).⁴⁸

Yet a senior director who had worked at Compartamos for less than two years expressed his frustration with FISEP-related activities:

We are not an NGO anymore. In a bank, the only important objective is to make money. Compartamos hired me to improve processes, and I cannot do so with those cheesy activities that the organisation has. The day we forget about Mother Teresa and start thinking about making money, that day we will improve as a bank, and we will optimise processes.

While the FISEP scorecard was intended as an individual-level measurement system alongside the *Mística*, thereby engaging managers with their own personal development while fulfilling the organisation's mission, in some cases, FISEP and Compartamos' incentive system were experienced as rewarding behaviours at variance with those that FISEP was designed to inspire (Kerr, 1975). A manager observed:

The idea of FISEP never was to force someone to do something she does not want to do. It is a tool that should help us achieve personal goals. FISEP helps to make our goals tangible, but has never sought to punish someone because she failed a health or spiritual target.

Hence, as a result of concerns about the way the system was directing behaviour in some cases, and concerns about the way the FISEP might be seen as punishing rather than inspiring personal growth behaviour, in 2014, Compartamos modified the performance evaluation system and the way it rewards and pays bonuses so that it no longer includes separate FISEP targets. (Chapter 6 discusses Compartamos' responses to the FISEP scorecard's side-effects and changes to the organisation's MCS.)

⁴⁸ During the case study (February 2013 to November 2016), the researcher verified Compartamos' quarterly reports to investors, and the organisation always reported that it had achieved or exceeded overall financial budgets. For instance, in the 2015 Annual Report, co-presidents Danel and Labarthe stated: "2015 was a remarkable year for Gentera and its companies: we achieved our goals regarding clients and portfolio. Also, we exceeded the company's goals we set regarding the financial operations of Yastás and the policies placed by Aterna and Compartamos in the three countries in which we operate – Mexico, Peru and Guatemala. Compartamos Banco continues to lead financial services for the bottom of the pyramid in America, with the largest portfolio and active credit clients. It reached a disbursement of 86,566 million pesos, 14.8% greater with respect to 2014" (Gentera, 2015a, p.12). Gentera's quarterly information is available at <https://www.gentera.com.mx/wps/portal/gentera/investorrelations/quarterlyinformation>.

5.6 Sueñómetro (Dreamometer)

In 2013, Compartamos developed the *Sueñómetro* (Dreamometer),⁴⁹ a project designed to “implement dreams”, which were ambitious medium- or long-term personal projects. The main idea was to invite managers to share both personal and professional dreams with their colleagues. The *Sueñómetro* was, as the word literally means, a “dream meter”. The tool was based on the founders’ belief that dreams are forces that lead to self-fulfilment. The objective was to encourage people to dream big and dream often, and help managers/employees make their dreams become reality.

A branch manager explained that “Compartamos’ purpose is to work with self-fulfilled employees and clients”, meaning, as another director explained, “that they fully accomplish their dreams and that they are able to rely on themselves”. Mancillas, one of the founders, went further, saying that “when you know what your dreams are and are passionate about realising them, you become a source of inspiration to others”.

The main idea of the *Sueñómetro* was to encourage managers to record their dreams in a small booklet and share them with their respective teams. The dreams were divided into short, medium and long term. Immediate supervisors were supposed to help their team members come up with realistic plans or timelines to reach their goals. Supervisors then sent the dreams to a central department, where the *Sueñómetro* manager tracked and analysed all the dreams in order to find ways in which Compartamos might help achieve them. For example, a common dream among the sales staff was to finish a bachelor’s degree. Because many people shared this dream, the *Sueñómetro* manager negotiated with several university programmes throughout the country to grant scholarships and flexible schedules to Compartamos staff to enable them to work and study. Other common dreams were to purchase a house or a car; hence, Compartamos offered various mortgages and car loans with preferential rates to enable subordinates to achieve those dreams. The goal of the *Sueñómetro* was to record an average of three dreams per employee. By the end of 2013, 15,000 dreams had been recorded.

A senior manager explained the origins of the *Sueñómetro*:

⁴⁹ *Sueñómetro* is a compound word formed by *sueño* (the Spanish word for “dream”) and “metro”, which means *meter*. Thus, *Sueñómetro* can be translated into English as “Dreamometer” or “dream meter”.

I explained to the managers who work with me that they had to know more about the members of their teams. It is important to know the names of their employees' children, their main concerns; furthermore, a good leader needs to know what the dreams of his/her people are. So we began to invite the middle managers to tell us their dreams, and to encourage them to ask their team members what their dreams were. This activity was transformed into an ambitious project called *Sueñómetro*.

Mancillas added:

Remember that every day we either come closer to realising our dreams or stray farther from them. By leading a life that integrates all FISEP dimensions, you will be taking firm, giant steps toward materialising your dreams. There are no shortcuts in life, only plans of action.

The *Sueñómetro* was an MCS that encouraged staff to live according to their dreams, rather than by routine. The tool also encouraged managers to communicate and collaborate within their respective teams, sharing pieces of their personal lives and really getting to know each other. According to a senior manager:

As leaders, we are responsible for helping those around us realise their dreams. With our support and, more importantly, our example and inspiration, their dreams will be ours too, since we share responsibility with them. Our goal is not just to realise our dreams but to inspire those around us to pursue theirs.

The *Sueñómetro* was a tool that aimed to create closeness between middle managers and their respective teams, and also to increase managers' loyalty in order to reduce turnover and improve performance. The view of senior managers was that if staff members felt taken into account, they would be more engaged with the bank's objectives and their performance would improve. However, after a solid start in 2013 when 15,000 dreams were captured, managers' interest dwindled, and ever fewer employees captured their dreams in the *Sueñómetro*. As reported by some of the middle managers interviewed, the *Sueñómetro* appeared to be very time-consuming and unrelated to the business objectives. Some considered it a distraction from the achievement of budgetary targets. In 2015, the project was abandoned.

5.7 Intended effects of MCS: Alignment of managerial values

Compartamos' approach appears to be based on the assumption that management is essential for the generation of HAV (Llano, 1996; Ruiz, 2012), or in other words in helping employees in organisations to have a good life, get along with others, have

a sense of self-respect, and be part of something of which they can be proud (Dyck and Kleysen, 2001). Ruiz (2012) argues that an organisation may generate HAV by turning work into a means of achieving self-fulfilment, conceiving the organisation as a community, which is capable of articulating its particular and human objectives within a mission, and ultimately becomes an open space for the development of reflective capabilities, imagination and other intellectual activities in its participants (Ruiz, 2012, p.193).

There are parallels between the view of people held by Compartamos' founders and Bartlett and Ghoshal's (1993) and Simons' (2005) notion that, rather than accepting human nature as an exogenous restriction, managers are an endogenous choice variable in the design of organisations. Senior managers at Compartamos seek to create the necessary conditions for managers not only to act in desired ways, but also to develop their potential as individuals. Founders and senior managers appear to believe that managerial actions help to create contexts that encourage the organisation's members to learn, cooperate, take initiatives and develop their own capabilities (Bartlett and Ghoshal, 1993).

In attempting to influence the "how", Compartamos' founders have sought to achieve "value congruence" across the organisation. Compartamos' senior managers appear to have clear beliefs about management and human nature, and in order to meet their challenges and tackle criticisms, they decided to make those beliefs explicit. Organisational beliefs have therefore become a cornerstone of the indoctrination process that Compartamos calls *Mística*. Compartamos' beliefs about human nature are reflected in its business model,⁵⁰ and in the value system created to foster organisational beliefs and values.

Llano (1996) explains that, in order to persuade a person to work, senior managers must awake in their subordinates a reason for choosing the proposed objective (Llano, 1990, p.20). The subordinate must be willing to undertake the task voluntarily. Accomplishing a task out of conviction is different from complying through obligation or coercion, which prevents the development of human potential (Rosanas and Velilla, 2005). Motivation is not achieved by forcing the will of subordinates, but by convincing them of the purpose of the task (Llano, 1990, 1996; Díez, 2012). Therefore, working on workforce motivation through value systems may be seen as important in an organisation that wishes to promote and foster the development of human potential for its workforce and for its clients.

⁵⁰ See Chapter 4, Section 4.3.

Marginson (2009) suggests that value systems may increase “value congruence”, or harmony between managers’ beliefs and organisational values, but this is by no means guaranteed. At Compartamos, diffusion of the founders’ beliefs appears to be so strong that many interviewees gave remarkably similar responses about the importance of people and values. Some respondents talked about Compartamos almost in a “spiritual” way, like a religious sect. An external consultant said that Compartamos’ values and *Mística* are explicit to all managers, “but not just explicit. Beliefs are tattooed on all Compartamos people. Tattooed, tattooed, tattooed. The *Mística* is something that is alive in most of them.” Moreover, although Compartamos’ activities include proselytisation and indoctrination, many interviewed managers seemed to welcome the organisational beliefs and make them their own.

Some interviewees appeared to share the bank’s values. For instance, one middle manager stated that Compartamos’ guidelines were similar to his parents’ house rules, and a manager claimed that her mother had given her the same kind of advice as her boss and other Compartamos senior managers. It might be considered that MCS at Compartamos aim to encourage managers to take actions that are in the best interests of the company, and that the Guardians, as Compartamos leaders, seek to link the values of their collaborators with the organisation’s philosophy (i.e. “value congruence”). Through “ideological talk” (Kraus et al., 2016), senior managers and guardians also aim to prompt managers to *want* to take actions that are in the best interests of the organisation (Llano, 1996). This supports Battilana and Dorado’s (2010) suggestion that MCS in successful hybrid organisations must teach and reinforce desired behaviours and values in the people they hire.⁵¹

Creating a shared identity based on its value system and operational excellence appears to have enabled Compartamos to strike a balance between the two logics of development and banking, and to avoid mission drift (Mersland and Strøm, 2010).⁵² Like other successful organisations with hybrid characteristics (competing

⁵¹ As discussed in Chapter 4, Compartamos may be classified as having some characteristics of a hybrid organisation that combines two previously separate institutional logics: a development logic with a mission to help the poor, and a banking logic that requires profits sufficient to support ongoing operations and fulfil fiduciary obligations (Battilana and Dorado, 2010). As a hybrid organisation, Compartamos faces the double challenge of being a successful venture, while balancing the combined banking and development logics to avoid deviating from its social purposes.

⁵² Mission drift is a concept used by some scholars to criticise some microfinance organisations for having become too focused on making profits at the expense of outreach to poorer customers, thus abandoning their mission to provide financial services to the poor (Mersland and Strøm, 2010).

logics) that aim to achieve financial results while accomplishing a social mission, such as Préstamo Los Andes in Bolivia, Compartamos is competitive and profitable, and has continued to expand its hybrid mission of increasing access to financial services for the poor, while fulfilling its fiduciary obligations.⁵³ However, owing to its size, the demands faced by Compartamos have been on a much larger scale.⁵⁴

Compartamos' approach claims to go beyond the economic perspective in seeking to understand how people are encouraged or discouraged from taking up working practices through reflective action. This reflective action is shaped by the context provided by Compartamos through practices such as the FISEP scorecard and *Sueñómetro*, which are based on a Catholic notion of human nature (Benedict XVI, 2009; Heinrich et al., 2009). That is, senior managers at Compartamos seem to believe that managers are able to achieve integral human development as a result of pursuing goals on different dimensions (physical, intellectual, social, family, spiritual and professional).

Furthermore, use of the beliefs and diagnostic systems that encompass Compartamos' value system, along with the boundary system that is the Code of Ethics, are attempts to achieve harmony between organisational values and managers' moral codes. The Code of Ethics and the whistle-blowing system act as a boundary system (Simons, 1995b), in that they define behavioural standards to enable the operationalisation and control of vague concepts (e.g. passion and service), and establish limits to focus and contain the motivation created by the organisational values.

As noted above, several interviewees seemed to cherish the outcomes of these processes. A senior manager explained how he lives according to Compartamos' *Mística*:

I've been a non-smoker for five years now. I have a closer relationship with God. My relationship with my family is better than it was before, and I've lost eight kilos over the past year alone. Each of these achievements is isolated but is part of a whole. It shapes a part of how I see myself. FISEP has done me good; it's given me a lot of meaning, and it reminds me that, to serve others better, I need to be the best version of myself.

A sales manager gave his version of the model:

⁵³ See Battilana and Dorado (2010) for a full analysis of Préstamo Los Andes.

⁵⁴ In 2014, Préstamo Los Andes in Bolivia had 55 branches, 390,000 clients and 49,645 loans. The value of its loan portfolio was US\$607,973,000, significantly smaller than Compartamos.

A little over three years ago, I was so ill I almost died. Within myself, I saw the Compartamos machinery working for me. Throughout that month or so, I was out of commission, but the prayer chain was constant. The whole Compartamos family, all the leadership, put themselves at the service of an employee. That's priceless. I could see the leadership they talk about in action. I lived it in the flesh, so I know it's not just a slogan. It was very impressive, and I'm grateful. It's also been meaningful to find the means to overcome fears, become aware and do things you never thought you could do (cited in Mancillas, 2013, p.129).

While managers had both annual fixed budgets and FISEP targets, the importance of achieving both business and personal targets is reinforced with a religious-type discourse that attempts to elevate the meaning of work through the construction of a potentially transcendent purpose (Pérez López, 1993; Bell and Taylor, 2003).

However, strong doubts and questions have been raised about Compartamos' MCS. FISEP may interfere with managers' privacy in spiritual, family and social matters. Moreover, the scorecard was not just a matter of sharing private goals with their direct boss; managers had to establish indicators and then demonstrate that they had reached targets on health issues, family and spirituality. Compartamos' senior managers argued that their managers had the sensitivity to know how much pressure to apply and how far to go into private and intimate matters; furthermore, managers defined their own targets and indicators, so it was apparently a matter of individual freedom to determine how much information to share or what types of targets to establish. Also, as discussed in the next section, some of ways in which Compartamos reinforced its values seemed, at least to some former managers, to infringe managers' freedom by using proselytising techniques that might be seen as compulsion or intimidation.

5.8 Unintended side-effects of using MCS

Traditionally, scholars and practitioners have criticised the potential collateral effects of traditional MCS that focus on motivating achievement of the "what" without focusing on the "how" (Argyris, 1952; Lowe and Shaw, 1968; Merchant, 1990; Jaworski and Young, 1992; Hope and Fraser, 2003a). However, the case of Compartamos shows that using a value system derived from a systemic articulation of the "how", with beliefs, boundary and diagnostic qualities, may also cause unintended side-effects. These unintended effects include pretending to share the founders' religious values, forcing non-believing team members to participate in Masses or prayers, and potential gaming or response distortion in surveys. Although

some of these actions may not appear to harm the organisation directly, they do not appear to be aligned with the senior managers' philosophy or values and are not aligned with the overarching desire to develop trust and respect across stakeholders.

The dysfunctional behaviours identified in the interviews include managers taking advantage of the ambiguity of some organisational values as excuses for performing below their potential and/or not achieving business targets. Reinforcing values with religious symbols, for instance, may encourage some managers to "pretend" to share Compartamos' beliefs in order to be accepted or promoted. A former manager remarked: "My boss was not a believer. However, he forced us to go to Mass every First Friday. We all had to go walking holding hands. It was annoying, but we knew that he was doing it so that his bosses would think he was already 'living the *Mística*.'" Interviewees also mentioned preferential treatment for those actively involved in religious activities. This means that when people are underperforming or know they are not going to meet their budgets, they may start to attend Mass, pray the Rosary, or go on religious retreats to avoid punishment.

The vagueness of some concepts (e.g. "profitability" and "the person at the centre") appears to create confusion that may also generate unintended effects. When competition in the Mexican microfinance market was low and microfinance institutions were able to charge high interest rates, Compartamos seemed to tolerate low-performing managers as long as they diligently lived the *Mística*. However, with increased competition and the pressure of financial markets to generate higher returns, tensions between the traditional financial "what" and the personal "whats" derived from attention to the "how" have become more evident. Chapter 6 elaborates on these tensions.

Compartamos' implementation of the value system may also create discomfort and irritation in some managers. Although constant reinforcement of the founders' beliefs seems to encourage value congruence among some managers, others reported feeling harassed. A former senior manager stated that he actually came to feel that his privacy was being invaded:

It was particularly difficult in some strategic planning meetings, where we started with FISEP issues and then we prayed the Rosary, and all this before addressing actual business issues. Some members of my management team also felt harassed and pressured to participate in religious activities, especially when a Catholic priest was around during our meetings.

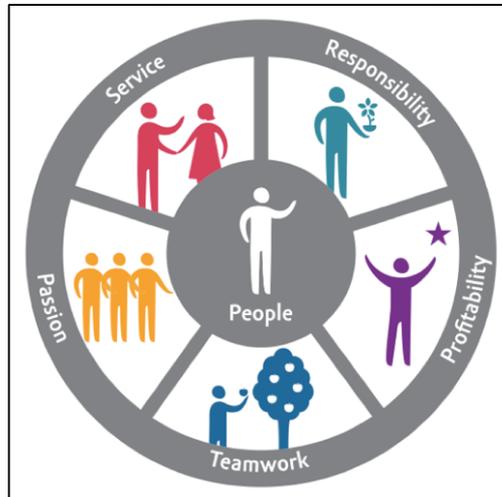
The literature on proselytisation warns of the risks of inappropriate or manipulating behaviour (Arai and Arai-Takahashi, 2002; Krishnakumar and Neck, 2002; Thiessen, 2011; De Freitas, 2014). Thiessen (2006) argues that “persuasion is not in and of itself a bad thing. Indeed, persuasion is an expression of our social nature. We depend on persuasion to gain knowledge.” However, when beliefs are influenced by coercive or aggressive methods affecting the freedom of managers to make choices, this might be classified as improper or unethical proselytisation (Thiessen, 2006, 2011). In order to avoid feelings of discomfort or harassment, Thiessen (2011) suggests that organisations must try ensure that their dissemination of values allows individuals to make free and uncoerced choices with regard to the adoption of specific values.

However, the major problem inferred from the study data is that some managers seem to take advantage of the vagueness of the organisational values so as not to commit to the achievement of business targets. This ambiguity may begin with the definition of concepts like “profitability” or having the “person at the centre” of the organisation. As discussed above, profitability is defined in qualitative terms: “We do more with less by being creative and effective in providing better services” (Compartamos, 2016). This subjectivity seems to allow everyone to interpret the values in their own way or for their own convenience. “Doing more” may differ for each Compartamos manager; hence, it is easy to claim as outstanding performance what others may perceive as a mediocre outcome. Interviewees, even at senior levels, reported that it is not clear how profitability is calculated or what are the cause-and-effect relationships in generating profits. Thus, some managers appear to see no transparency in the link between their budget achievement and “profitability”. Furthermore, although “profitability” is one of the six values, branch managers are not held responsible for costs or expenses. Branches are evaluated on growth in numbers of clients, size of loan portfolios, numbers of disbursements and low employee turnover. “Profitability” as a value does not appear to be ultimately linked with budgets or with financial targets.

However, evidence suggests that the most ambivalent concept is having “the person at the centre” of Compartamos’ philosophy. Interviewees argued that some managers take advantage of the ambivalence of the concept as justification for not meeting their budgets. As noted above, Genera/Compartamos claims to have a “person-centred philosophy”. Written documents express this viewpoint in different ways: for example, “our sense of purpose and our principles are centered on the individual” (Compartamos, 2011); “striving to be better persons and placing the

person at the center” (Compartamos, 2012); “at Gentera, the person is the most important factor” (Gentera, 2015a); and “we strive to be better people with our people focus” (Compartamos, 2016). These written documents are accompanied by diagrams in which the person is illustrated at the centre (see Figure 5.1).

Figure 5.1: Illustration of Compartamos’ values with “people” at the centre



Source: Gentera, 2013a

In interviews, Compartamos’ managers referred to the idea simply as having “the person at the centre”. However, no definition could be found of the meaning of having the person at the centre of the organisation, even in Mancillas’ (2013) book on *Serviazgo* which explains Compartamos’ leadership model. The ambiguity of the concept may provide excuses for some managers to perform below budgets. Conflicts appear to arise between the “what” and the “how”, particularly for managers who are simultaneously performing below targets (the “what”) yet “fully living” the organisational values (the “how”).

This phenomenon was also reported by interviewees in analysis of the use of the FISEP scorecard, which was a model designed by Compartamos to implement the concept of “having the person at the centre” of the organisation. To alleviate this, senior managers at Compartamos attempted to use FISEP as a formal feedback or diagnostic control mechanism, tracking progress against a set of personal goals. Yet the use of FISEP as a scorecard appears to have become a source of dysfunctional behaviours, such as lying (e.g. a manager stated “How would my boss know if I was telling the truth that I went to confession at least once a month?”) or manipulating data while presenting the results of the achievement of physical, spiritual or family targets. For example, a manager explained, “We learned to play the game [...] One year I said that I was going to read a book per month, and before the beginning of the year I even had the list of titles that I would put in case my boss

asked me for evidence.” Nonetheless, the major problems appeared to be complacency and ambiguity between personal targets and business budgets, for example “I want to achieve my FISEP targets, so I need to be with my family, practicing sports or in spiritual activities, so I have an excuse to perform below my business budgets”.

Emphasising personal and family objectives, such as caring for one’s own health, exercising, and spending time with family or in social activities, and rewarding these in the same way as, or even above, business budgetary targets seems to create incentives, or at least excuses, for some managers to neglect their responsibilities to the bank. An interviewee explained:

The evaluation systems generated an ambivalence that confused Compartamos’ collaborators. On the one hand, managers were motivated and evaluated on having a virtuous life based on an integral model such as FISEP. But on the other hand, there were a number of aggressive business targets. This caused antagonism between these two spheres because the causal relationships between personal development (e.g. spiritual, sports, family) and business performance were unclear.

A middle manager remarked:

It happened to me many times that scolding someone for their bad results was interpreted as an attack on the person. “You cannot talk to me like that, because you are attacking my dignity; do not forget that the person must be at the centre”, was a typical argument of a bad performer.

Another manager claimed that it was difficult to ask for extra effort because her subordinate managers frequently used the excuse of having to spend time with their families: “At times, no one was willing to try harder. Not even when we had an urgent task. It was common to hear that someone had to leave at 5pm and was not in the mood for making an additional effort because they had to meet their FISEP.”

The extant literature identifies favouritism as a potential danger of spiritual approaches in organisations (Karakas, 2010). At Compartamos, interviewees reported favouritism toward managers who participated in religious activities. A manager explained: “At Compartamos there is much complacency about poor performance, especially with those managers who coincide in religious activities with some of the founders. FISEP and the *Mística* becomes a pretext for not making a strong commitment to the bank’s objectives.” Some former managers also

reported that managers were promoted because of their active participation in religious activities, rather than for their performance.

A senior manager gave his impression: “I always say to my collaborators, ‘I am glad that you are a good man, very Catholic and that you attend daily Mass; but before that, show me your business results.’ Having the person at the centre does not mean complacency, or poor outcomes.” Thus, tolerance for poor performance may not be the norm; otherwise, Compartamos would not have achieved the growth and financial results it showed in its first 25 years. However, *Mística* and FISEP have certainly generated dysfunctional behaviours.

A former senior manager explained that Compartamos is very permissive with people performing badly:

I remember the implementation of software. The project lasted more than a year, and after that it was considered a failure. It was all due to the negligence of those involved. In any other company, they would have fired at least the project leader. At Compartamos, everybody was protected; the project leader was simply moved to a different department.

However, a more competitive context and continuing pressure from financial markets to achieve expected financial results makes some of these behaviours unacceptable to new senior managers. Section 6.7 describes the tensions between the “what” and the “how” and what seems to be a current conflict within Compartamos concerning two co-existing groups of senior managers with different thoughts and focus: one *Mística*-oriented and the other financial results-oriented.

5.9 Discussion

Compartamos is a financial company with more than £1.5 billion in assets. It is one of the biggest microfinance companies in Latin America, and one of the 150 largest companies in Mexico. It is also an organisation that urges its employees to pray. In order to align managers with the founders’ values, Compartamos starts meetings by praying the Rosary. These types of action are used systematically by senior managers to reinforce the espoused values.

In order to communicate and implement the “how” (i.e. tasks or targets that should be achieved in a specific way that is consistent with the organisation’s values, and alignment of managerial “values” with those of the organisation), Compartamos makes its beliefs explicit, presenting them attractively and clearly in order to convey a first level of understanding and inspire adherence. It then establishes how these values can be converted into “everyday” behaviour. For example, senior managers

claim that managers who practise a sport, have a spiritual life and show an attitude of service to others will be better managers, and thus better human beings. Table 5.3 summarises the findings presented in this chapter.

Table 5.3: Summary of findings on Compartamos' MCS

MC mechanisms involved in attempting to influence the "how"	Reasons for attempting to influence the "how"	Consequences/effects	
		Intended consequences	Unintended side-effects
Documents (Mission, Credo, six values and other documents, such as "A letter to our peers"; internal bulletins, etc.)	To give managers an uplifting reason for being engaged with Compartamos' purpose.	Value congruence: harmony between managers' beliefs and organisational values.	Employees taking advantage of the ambiguity of some organisational values so as not to strive to achieve targets.
Audio-visual (ComparTips TV)	To encourage closeness and identification with senior managers	Elevating the meaning of managers' work by constructing a potentially superior purpose and moral stance.	
Social/business meetings (Integration breakfast, Strategic alignment meetings, Annual meetings)	To implement the founders' beliefs and align the organisation with those values.	Managers wanting to take actions that are in the best interests of the organisation.	Creates discomfort and irritation for some managers. Some even feel harassed.
Social and religious activities (voluntary work, First Friday Mass, Annual Mass at the Basilica of Our Lady of Guadalupe)	To transmit the founders' sense of purpose and values, and to generate in Compartamos' managers a level of engagement similar to that of the young people who participated in social projects with <i>Gente Nueva</i>	Adoption (i.e. indoctrination), and expulsion (resignation or dismissal) of employees who do not adopt the espoused values.	Some non-believing team members feel forced to participate in Masses or prayers (improper proselytisation). Favouritism or preferential treatment for those actively involved in religious activities
Training (induction, <i>Mística</i> -related development, ethical criteria workshops, technical and product training, <i>Serviazgo</i> leadership programme)		Alignment of managerial values with those of the organisation	
MC by example (<i>Mística</i> Guardians)	To give managers an uplifting reason for being committed to Compartamos' purpose.	To encourage managers to take actions that are in the best interests of the company. Alignment of managerial values with those of the organisation	Some non-believing team members feel forced to participate in Masses or prayers

"Ideological talk"	To infuse founders' beliefs based on a Catholic view of human nature	To prompt managers to want to take actions that are in the best interests of the organisation	Some non-believing team members feel forced to participate in Masses or prayers
Symbols (uniform and religious images of Mother Teresa of Calcutta and Our Lady of Guadalupe)	To honour its social intentions and the founders' religious background	Adoption (i.e. indoctrination) and value congruence	Some non-believing team members feel forced to participate in Masses or prayers
Top-down budgeting process		To strike a balance between achieving financial results and accomplishing a social mission	
FISEP Scorecard	To motivate managers to improve their lives	To develop human potential and mould human behaviour, and to encourage Compartamos' managers to pursue personal goals, leading to personal growth on the FISEP dimensions.	Employees taking advantage of the ambiguity of some organisational values so as not to strive to achieve targets. Creates excuses for some managers to neglect their responsibilities to the bank. Employees may simultaneously perform below targets (the "what") and "fully-live" the organisational values (the "how")
<i>Sueñómetro</i>	To motivate managers to improve their lives	To encourage Compartamos' managers to pursue personal goals (dreams)	Time-consuming and unrelated to business objectives. Some interviewees considered it a distraction from achieving budgetary targets
Code of Ethics, whistle-blowing system and Honour Committee		To achieve harmony between organisational values and managers' moral codes, to define behavioural standards to explain vague concepts (e.g. passion and service), and to establish limits to focus and contain the motivation created by the organisational values	

Source: Researcher based on data analysis

The attractiveness of Compartamos' purpose and values (i.e. reduce poverty, make a better society, and achieve integral human development under the FISEP model) and how its mission is stated and reinforced by the company's formal

communication channels (see Table 5.2) are intended to give managers uplifting reasons for being committed to Compartamos' purpose. This connects with what Pérez López (1993) calls "transcendent motives"; that is, reasons based on a genuine interest in what happens to others, even to the extent of setting oneself aside. Pérez López's model helps to explain Compartamos' intentions: the founders have tried to incorporate ethical aspects into the decision-making process. Transcendent motives go beyond the usual meaning of "altruistic" or "benevolent" to mean forces that drive managers to act because of the usefulness of their actions for others (Pérez López, 1993). Compartamos' founders seem to have sought to take into account the effects of managers' actions on other people, not just because of a continuing relationship but because of a moral obligation (Pérez López, 1993; Rosanas and Velilla, 2003).

Moreover, Compartamos' messages connect appealingly with the context of poverty and inequality in Mexico, and with the traditional Catholic values of Mexican society.⁵⁵ The interviewees frequently made comments such as "Compartamos' guidelines are similar to my parents' house rules" (Branch Manager, September 2013), "my mother gave me the same kind of advice as my boss and other Compartamos managers give me" (Middle Manager, September 2013), and "my wife is happy that I work at Compartamos because now I accompany her and my children to Sunday Mass" (Sales Promoter, October 2016). Another middle manager mentioned:

None of the values at Genera feel strange to me; they are all part of me. They are the same in my family, those which my parents instilled in me. That is, if you say to me, for example, the value of accountability, I would say, "I'm responsible at Genera or anywhere". And that happens with all the organisational values. I'm interested in people. The Mística is part of me. That's why I easily live Genera's values.

The value system may also function as a filter. The frequency and conviction of the message may cause either adoption (i.e. indoctrination), or the expulsion or resignation of those who do not share those values. This is an MC process that may influence the "how". Compartamos' recruitment process seems to aim to attract and recruit individuals who share the founders' beliefs, at least at a basic level (see Appendix D). Then, from day one, the values are communicated and reinforced.

⁵⁵ See Chapter 4 for an explanation of the Mexican context.

Transmission and reinforcement of Compartamos' beliefs may be achieved through the interaction and interdependence of various mechanisms. The founders defined the values, which are clearly enshrined in documents such as the Mission, the Credo, the six values and the "letter to our peers". These values are then frequently reinforced with symbols, newsletters and ComparTips TV broadcasts, and especially through frequent social events. Interpersonal interactions during breakfasts, integration meetings, strategic briefings and voluntary work play an important role in communicating and implementing the value system. Moreover, the *Mística* Guardians support a proselytising process, both through their example and through constant dialogue and correction of their trainees' behaviour. The process incorporates a feedback loop in the form of the *Mística* index, feeding back information about unfavourable scores based on a values survey. This is then used by the HDD to foster values through training programmes. Similarly, the FISEP scorecard played an important role in terms of mediating behaviour through its status as a diagnostic and appraisal- or bonus-related mechanism.

The expected outcomes are either adoption of the values (i.e. value congruence) or expulsion by the system (resignation or dismissal) of managers who do not adopt the espoused values. Hence, values at Compartamos aim to provide prestige in group membership, and function as formal symbols of what the organisation represents (Ouchi, 1978; Flamholtz et al., 1985).

Compartamos' leaders use evangelical techniques through the value system, recognising the spiritual dimension as an integral part of human nature. Through these religious-type discourses and MCS, senior leaders seek to reconcile individual and organisational interests (Bell and Taylor, 2003). Moreover, Compartamos' internal communications provide a means of elevating the meaning of work through the construction of a potentially transcendent purpose and moral obligation (Pérez López, 1993; Bell and Taylor, 2003).

Compartamos' environment may encourage the adoption of organisational beliefs, proselytisation and indoctrination. For example, the existence of a chapel in the corporate building gives consistency to Compartamos' discourse, strengthens the message of the "person is at the centre" and allows the founders to incorporate concepts of Catholic social doctrine into organisational documents and procedures. Furthermore, contrary to the extant literature, Compartamos seeks to measure its values in order to adjust and reinforce behaviours. However, this research has identified the potential for managers to distort survey responses, which may alter the *Mística* index.

Thus, the process is not unproblematic. Reinforcement with religious symbols may create discomfort and irritation for some managers. It may also encourage some managers to “pretend” to share Compartamos’ beliefs in order to be accepted or promoted. This chapter has also illustrated conflicts between the “what” and the “how” caused by managers taking advantage of the ambiguity of some organisational values. Chapter 6 will analyse this tension in greater depth.

The extant literature (Simons, 1995b; Platts and Sobótka, 2010; Adler and Chen, 2011) reveals that value systems may enhance participants’ intrinsic motivation by creating a positive informational environment that encourages information sharing and learning, and may stimulate a strong bond of trust among managers at all levels. Through the incorporation of religious symbols, Compartamos’ senior management team seeks to elevate the meaning of managers’ work by constructing a potentially superior purpose. Furthermore, senior managers and Guardians promote a message that work must be done in “the Compartamos way” (“how” a particular task should be achieved), enabling collaborators to develop “self-realisation” (“how” a manager should fulfil his/her role and “how” to develop human potential).

For Simons (1995b, 1999), value systems may motivate and inspire managers to search for, create, and expend effort on engaging in appropriate actions to achieve the organisational strategy. The Compartamos case appears to broaden this definition. The founders not only think in business terms, but also aim to help their managers look after their individual needs. However, due to the unintended side-effects caused by the use of MCS aiming to motivate achievement of the “how”, Compartamos has adjusted some of the MC mechanisms and has developed new MCS.

Chapter 6 describes these new MC mechanisms and elaborates on the conflict between the need to achieve both the “how” and the “what”, and the current tension concerning what seem to be two co-existing groups of senior managers at Compartamos with different sets of thoughts and focus: one *Mística*-oriented and the other financial results-oriented.

6. FINDINGS II: MCS aiming to simultaneously attain the “what” and the “how”

6.1 Introduction

Compartamos has evolved over 25 years from a small NGO, to a public, billion-dollar international financial services company with over three million clients and more than £1.5 billion in assets. Compartamos is now one of the biggest microfinance firms in Latin America, and one of the 150 largest companies in Mexico. In December 2015, as part of its 25th anniversary celebrations, senior managers announced the Genera-50 strategy, which retains its focus on growing the scale of microfinance provision by setting the goal of reaching 10 million clients in the next 10 years.

In their message, co-presidents Danel and Labarthe emphasised Compartamos' business aims for 2016: to reach a greater number of clients (10 million in 10 years, and a target of 3.46 million in 2016), to increase the portfolio (2016 target of MX\$32 billion), to streamline expenses (2016 budget of MX\$11.1 billion), and to increase the financial margin (2016 target of MX\$3.6 billion) (Genera, 2015a). In doing this the senior managers appear to be trying to clarify what was once an ambiguous concept of “profitability” by communicating targets to their managers in terms of expenses and financial margin.

Chapter 5 described some unintended side-effects of using MCS focused on the alignment of managerial values with the *Mística*. Interviewees reported preferential treatment for some managers actively involved in religious activities, complacency about the poor financial business performance of some of those “fully living” the *Mística*, and promotions granted as a result of managers' active participation in *Mística*-related activities rather than for their performance or achievement of financial business targets. Furthermore, using a diagnostic MC mechanism in the appraisal process, in the form of the FISEP scorecard, that emphasised personal, spiritual and family objectives (e.g. caring for one's own health, exercising, and spending time with family or in religious activities) and rewarding these in the same way as, or even above, the achievement of business budgetary targets appeared to create incentives, or at least excuses, for some managers to neglect their responsibilities to the bank's overall strategic aim of growing the provision of microfinance.

The senior management team reacted to the unintended side-effects by modifying the performance evaluation system and the way in which Compartamos rewards and pays bonuses. It no longer includes a separate FISEP target as part of the

bonus, but instead integrates financial and *Mística* performance measures into a scorecard. The *Sueñómetro* has been abandoned, and new MC mechanisms have been developed, including a mentoring stage in the organisation's appraisal system and a "Total Accountability" programme, which apparently seeks to focus managers more on achieving the financial business "whats". This chapter analyses this evolution of Compartamos' MC mechanisms and discusses tensions between how the MCS direct attention to both personal and business/financial aspects, showing the complexity of the challenge that Compartamos faces in managing the context in which workers learn how to be and behave.

Section 6.2 begins by briefly explaining the evolution of Compartamos' MC "package". Section 6.3 presents the new version of performance evaluation, which aims to integrate assessment of managers' performance in both financial/business and personal respects. Section 6.4 analyses changes to the FISEP and modification of the model into an optional mechanism for personal development. Section 6.5 explores the mentoring programme "We Expect More from You", and Section 6.6 presents the "Total Accountability" programme. Section 6.7 discusses the different emphases on available MC mechanisms and a current tension within Compartamos between groups of senior managers who seem to have different thoughts and focus. Finally, Section 6.8 presents some conclusions.

6.2 Evolution of the MC "package"

A middle manager explained how the value system and the Code of Ethics have inculcated the organisational values:

Compartamos' values are like a compass that guides us, signal how we should behave. To me, the code of ethics has been very useful, especially when I am alone. Sometimes it makes me act automatically; it's like Compartamos' values are installed inside of me.

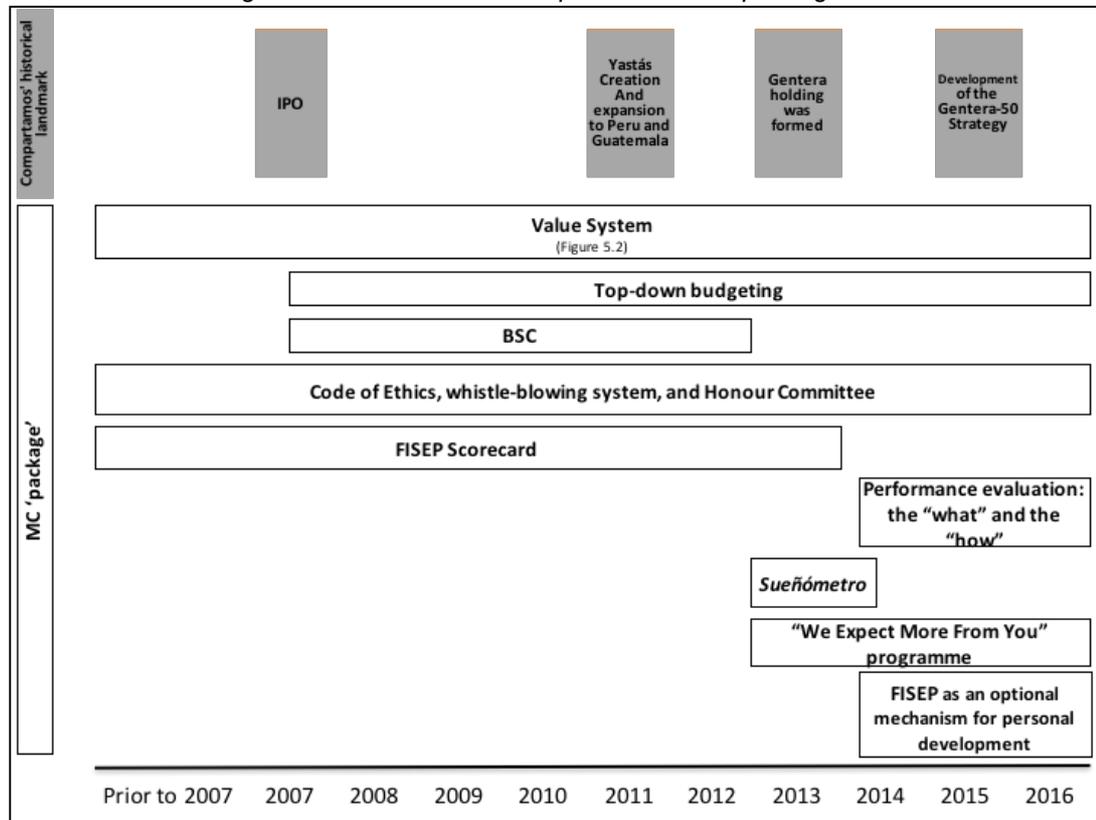
Indeed, the extant literature suggests that the influence of control mechanisms lies not in how each is used alone, but rather in how they complement each other when used together (Tuomela, 2005; Mundy, 2010). As explained in the previous chapter, Compartamos faces the challenge of developing an MCS "package" (Malmi and Brown, 2008) that manages numerous variables in different ways. As a top executive remarked:

The focus is always on people, the family day, the uniform, FISEP, the Code of Ethics; those are elements that are present in our daily work and, whether managers like it or not, they restrict and guide our

collaborators. Those systems help the organisation to keep many variables amalgamated.

In developing its MCS to implement its philosophy of placing the person at the centre of the organisation, Compartamos has adapted its MC tools as it has evolved. Figure 6.1 shows the evolution of Compartamos' MC package.

Figure 6.1: Evolution of Compartamos' MC "package"



Source: Researcher based on data analysis

As can be appreciated graphically, the IPO in 2007 triggered changes in Compartamos' MCS. After the IPO, senior managers developed a rigid, top-down budgeting process and a balanced scorecard. When the Genera holding was formed, and as the operation became more complex (six companies in different countries), the top management team decided to eliminate the BSC and change the performance appraisal procedure. The Genera-50 Strategy emphasises the need for aggressive growth in a more complex context; thus, it appears to stress achievement of the financial business "what", reducing the importance of accomplishing the "how" (see Section 6.6). Figure 6.1 provides a concise contextualisation that underpins the analysis of the different MCS presented in the following sections.

6.3 Performance evaluation: the “what” and the “how”

Several interviewees commented on the importance of ongoing dialogue with each other with respect to the management of performance. Indeed, despite the shortcomings of the FISEP scorecard mentioned in the previous chapter, the mandatory evaluation of FISEP targets had the potential to encourage such dialogue between managers and subordinates, which influenced the alignment of managerial values with the *Mística*. A senior manager commented: “The FISEP assessment brings about a dialogue that helps us to be better people. We understand that FISEP is not an inflexible measure, as a financial indicator may be.”

The adjusted process recognises this need for continued dialogue, with the introduction of a formal mid-term review of the performance of every manager, called the mentoring stage. A senior manager explained: “Monitoring objectives and accompanying performance must be continuous throughout the year between a boss and his/her subordinates; however, formally, we have a mid-term performance review to ensure that every manager provides his/her subordinates with feedback.”

The adjusted process continues to entail a top-down definition of financial targets (the traditional “what”) repeated at all levels of the bank, horizontally along the internal supply chain of the bank, and vertically from the CEO to each promoter. However, the FISEP scorecard has been excluded from the planning-evaluating-rewarding process. This is not to say that the *Mística* aspects of performance management and measurement have disappeared, as the *Mística* is now integrated into a new scorecard which requires the assessor and assessee to consider the latter’s performance in financial/business and *Mística* terms simultaneously.

Compartamos has forms and guidelines to prepare for the meeting:

Every manager should do a self-assessment of his/her performance, his/her development according to the *Mística* of the organisation, and of how he/she is living the FISEP. The idea is that the manager should make a deep reflection by asking him/herself if something has changed since the objectives were defined.

There are two separate scores, one for the financial/business “whats” and the other for the *Mística*-related “hows”. The two scores are merged in the final assessment (Appendix H shows the performance evaluation form, which explicitly indicates that managers should assess both the financial business “what” and the *Mística* “how”). Compartamos seeks to prevent cases of managers who have an outstanding

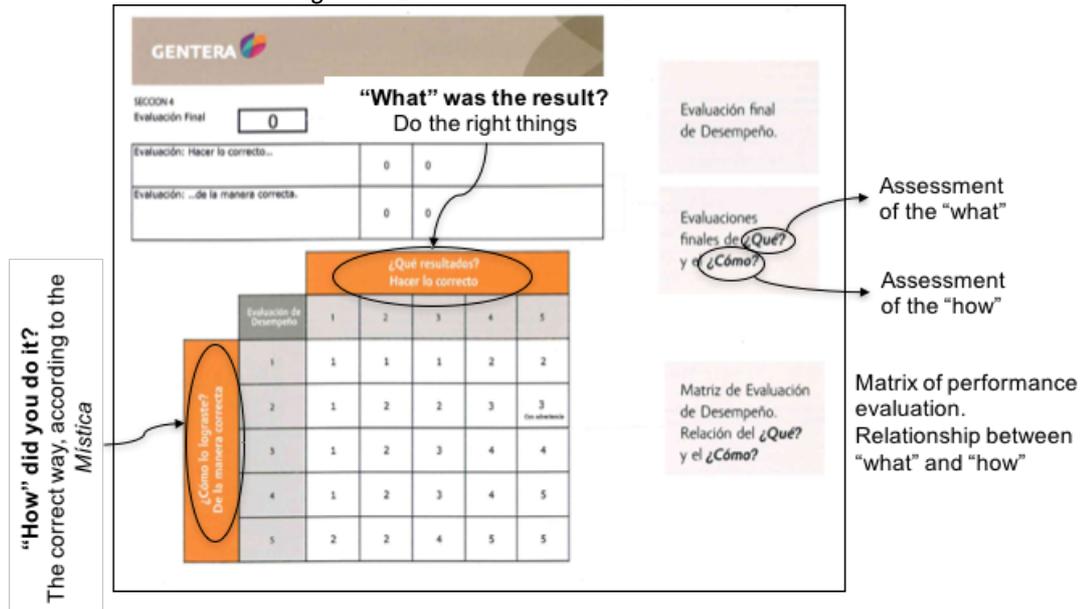
evaluation on their business goals (the “whats”) but do not follow the *Mística*. A Compartamos middle manager remarked:

My boss helps me to improve and I help my subordinates. We have very friendly dialogues. That is why we evaluate the “whats” and “hows” together. For example, a member of my team is a workaholic, so in assessing her, we review her schedules. Another person frequently yells at his colleagues, so we have been taking advantage of the mentoring to work on her anger management.

Compartamos then has an annual evaluation process, which is a formal activity in which each manager’s accomplishment of goals and progress in self-development are evaluated. The results are again compared against the financial business and *Mística* requirements. According to Compartamos’ guidelines, after analysing the context and the challenges faced, both boss and subordinate evaluate the (integrated) year’s performance on a scale from five to one, where five means that the manager has far exceeded the goals and has a unique performance, four means that the manager has exceeded the goals, three means that the manager has met the goals, two means that the manager is below expectations, and one means that the manager is well below goals and expectations (see Appendix H, Figures H.2 and H.4). Managers fill out a form and then have a meeting in which superior manager and subordinate agree the final mark for the year (see Appendix H).

The final step in the evaluation process is intended to reward efforts and encourage effective behaviours. A senior director explained: “We strive to make individual efforts, contributions to the bank strategy, and the ways managers live and experience Compartamos’ *Mística* as tangible as possible.” Compartamos awards annual salary increases based on these performance evaluations. There is claimed to be a direct relationship between percentage increases in salary and integrated performance evaluation scores. One senior executive claimed: “We seek to foster a practice in which a higher salary increase is given to managers who perform better and live Compartamos’ *Mística* more intensely.” Compartamos distributes the bonus according to a forced ranking system: 15 per cent of managers receive the highest bonus, 15 per cent get no bonus, and the rest receive an average bonus. Figure 6.2 presents the format of the final evaluation, which is a matrix giving a final evaluation of the financial business and *Mística* performance.

Figure 6.2: Performance evaluation matrix



Source: Compartamos' internal documents

The forced ranking (a requirement to rate 15 per cent of team members as outstanding and 15 per cent as below average) seems to have been developed in order to draw people out of their “comfort zone”. Ranking systems may change the mindset that “everyone is above average” and may oblige managers to have difficult conversations and make decisions that tend to be avoided in complacent companies (Simons, 2010; Adler et al., 2016).

As discussed in Chapter 5, Compartamos used to weight personal goals (i.e. FISEP targets relating to health, family and spiritual issues) and business budgets almost equally, leading in some cases, as reported by interviewees, to excuses such as “one of my peers justified not reaching her annual budget because she was taking care of her elder mother”, or complacency, as when a manager argued “If they were going to give me a 30 per cent bonus for my FISEP results, I set goals that were easy to meet or difficult to verify”. Therefore, some element of complacency around the level of effort required to be successful as a Compartamos employee seemed to have developed for some people, and this was identified as something that needed to be disrupted. As explained by a senior manager: “The ranking system aims to give recognition and reward to high performers and to motivate average managers to improve and compete for higher ratings.”

However, it appears that not all managers attach the same importance to how they incorporate the *Mística* evaluations. A middle manager observed: “My boss does not care about FISEP, the *Mística* or the ‘how’. The only thing that matters are the

outcomes. He has told me: 'Fill in those useless HR forms, do not bother me with those issues.' The only important things are the goals and the financial metrics."

Two groups with apparently different thoughts and focus seem to co-exist within Gentera: those who are *Mística*-oriented, and "newcomers" who focus on financial results and complain that FISEP activities take time away from activities that add greater value. A newly-hired middle manager confirmed that growth may have been changing Compartamos' focus: "I have been working at Gentera for almost two years, and I have never established FISEP targets or reviewed 'the how' with my boss. We do not have time for such things; the important goal is the growth of the bank." This internal debate within Compartamos is discussed in Section 6.7.

6.4 FISEP as an optional mechanism for personal development

Although FISEP was omitted from formal performance evaluation from 2014, it continues to be used as a tool for personal development, and as a mechanism for implementing the founders' claim that they strive to be better people by encouraging their managers' integral development (i.e. physical, intellectual, social, family, spiritual and professional development).

Compartamos has designed software to measure FISEP. The formal value of this programme is not lost, as Compartamos is able to harvest data on FISEP performance and maintain the visibility of this aspect of behaviour at the organisational as well as the individual level. Managers are encouraged to record their personal targets (e.g. "I will lose 5 kilos in the next three months" or "I'm going to read a book each month"), and the software follows up whether they have fulfilled their commitments and assigns points. Every six months, Compartamos recognises managers who have achieved their personal goals, and rewards those achieving higher points with prizes such as an iPad, a Blu-ray player or a Gentera hat. Compartamos uses the fulfilment of goals to motivate other subordinates to "be better", and the organisation then uses its dissemination expertise to propagate the successes of its managers.

In 2014 we recorded 19,000 FISEP commitments, and 13,000 were fulfilled. We broadcast a video on the achievement of these objectives. To give you an idea, in one year there were more than 50,000 unsmoked cigarettes at Gentera, more than two tonnes of weight lost, and more than 15,000 books read. That motivates and impacts on people (Compartamos Manager).

Furthermore, the *Personas* Department continues to encourage face-to-face dialogue about FISEP between managers and subordinates. According to some

interviewees, Compartamos' managers tend to be open about their FISEP: "People who work with me have varied examples of FISEP. When I review the plans with my team, it is common to hear comments like 'my FISEP will include diet, because my blood sugar levels have increased, so this year I will lose three kilos'." Another manager explained:

I usually accommodate FISEP to my daily life. I've always exercised, and every year I try to set a goal that is a little higher – the F related to physical; I just started a master's – the I of intellectual; I have had a close relationship with my parents since I was born and do not want to neglect it – the S of social and family; I try to observe the sacrament of confession often – the E of spiritual. So I have no problem discussing my FISEP with my boss. Usually, we have a nice chat during the evaluation of the FISEP.

Furthermore, Compartamos offers various kinds of support to its employees to improve on the five aspects of FISEP. Table 6.1 presents the aids available to help Compartamos employees be "better people".

However, as might be expected, not all managers use these aids with the same intensity, and not all leaders are interested in the same aspects of FISEP. Those who like sports tend to invite their subordinates to exercise, while intellectuals promote reading, and those who are very religious advertise retreats and proselytise. A middle manager observed:

Everyone lives his FISEP very differently. I've had bosses who are obsessed with exercise and others who do not exercise but read ten books per month. Consciously or not, they pressure us to have similar practices. Other managers for whom the family is the most important thing promote efficiency so everyone can get home early and spend time with their family. Learning by example and interaction with top executives is what really makes collaborators live Compartamos' values.

Table 6.1: Compartamos' aids for collaborators' integral development (i.e. under FISEP)

Physical and Health	Intellectual	Social-Family	Spiritual	Professional
Gym and sports centre	Library and "moving library" (employees can borrow and exchange books from Compartamos' library and from other employees)	Maternity leave (double the time established under Mexican labour law) and paternity leave (five days off after a child's birth)	Chapel in the headquarters	Training programmes
Bank games (athletics competitions against other banks)	Career Acceleration Programme which fosters intellectual development of managers through scholarships and financial aid	"Crib" Programme: benefits for mothers returning from maternity leave so that, from their return and up to the first six months of breastfeeding, they get flexible working hours, breastfeeding rooms and financial aid.	Mass on the first Friday of every month	Career Acceleration Programme that offers scholarships to employees to help them start or finish an academic degree (diploma, bachelor's or master's), specialise or professionalise; these programmes are linked to training programmes in key business activities
Yearly Health Week (workshops, bulletins and special activities offering information and orientation regarding healthcare, and sharing subjects of interest based on a monthly accident analysis)	Plan to increase reading by Genera collaborators	Parenthood benefits for employees (bonuses and financial aid on the birth of an employee's child)	Spiritual retreat	Comfortable and ergonomic facilities
Monthly healthcare talks (conferences and workshops)		Day-care centre	Priest and chaplaincy services such as confessions and spiritual assistance	
Major medical insurance and bi-monthly insurance talks (life, major medical expenses, personal accidents) stressing the importance and functionality of the benefits of medical insurance to employees		Older children of employees (between five and 10 years old) are allowed to be at their parents' workplace in the afternoons after school.		

Physical and Health	Intellectual	Social-Family	Spiritual	Professional
Employee psychological assistance		School kit for employees (aid to pay for tuition and school materials for employees' children)		
"Activation Pause Pilot": employees are encouraged to relax for a moment in their workplace		Parent training courses		
"Stress management" conference to highlight the importance of stress handling at work and improve quality of life		Family Day to promote the integration and coexistence of employees with their families within the bank's facilities		
Medical checks and vaccinations in the workplace		Discretionary Days: every manager has two days off each year to attend family or social events (e.g. school festivals or family celebrations)		
Distribution of sugar testers for employees or relatives who have diabetes		Special flexible schedule for the first day of the school year, so that all employees can accompany their children at least one day a year		
Periodic bulletin with information about sleeping well, nutrition, stress management, physical activity, working posture and diabetes		Flexible Fridays: one Friday every month, employees who are on schedule with their projects and objectives and are producing good results are awarded a flexible Friday, meaning they can leave work at 2pm to rest or simply take personal time		

Table 6.1 illustrates that Compartamos has various support mechanisms to take care of its managers' health and help personnel to undertake physical activities. Similarly, it offers aid and support to foster family life. Spiritual aids (e.g. chapel, retreats) are aligned with its Catholic foundation. However, compared with the physical and family dimensions, there appears to be a lack of intellectual and professional support. These imbalances may explain some of the confusions and dysfunctional behaviours presented in Section 5.8: if the organisation attaches greater importance to the physical, family and spiritual dimension by offering more aid, managers may feel that they should develop those dimensions above the professional dimension (i.e. target achievement).

6.5 “We Expect More from You” programme

As part of the mentoring activities, managers performing below average must participate in the programme “*Esperamos más de tí*” (“We Expect More from You”). There are parallels between Kennedy and Widener’s (2013) description of socialisation mechanisms, such as mentoring and peer pressure, as an MC mechanism to influence managers’ perceptions of their work environment, and how Compartamos’ senior managers use mentoring. The “We Expect More from You” programme looks like an MC mechanism to enable superiors to provide guidance, coaching and encouragement to some subordinates. Compartamos’ idea seems to be to give a “second chance” to low-performing managers by making them join the programme, which is an early warning process to discipline and improve performance. The process begins with reflection by subordinate managers and their superior managers to recognise areas of opportunity for everyone, not only for subordinate managers who are failing to meet the targets, but also for superior managers, who must evaluate whether they are giving their subordinates all the necessary tools and support to reach the targets. Then, subordinates and superior managers may come up with a work plan and a set of objectives to develop any lacking skills in order to improve and move forward together. A senior manager remarked:

The programme seeks to give a second chance to managers, and we do it by taking account of the person’s dignity, for there is no better forgiveness than giving a second chance. And if the person lets you down, it doesn’t matter because what transcends everything is the fact that you did everything you had to do to help the other person.

The design of the “We Expect More from You” programme seems to be based on assumptions that frequent dialogue will generate awareness of managers’ weaknesses, and that team members, together with their superior managers, will be able to develop plans to improve performance. This programme, like many actions taken at Compartamos, may be inspired by the organisation’s religious origin. Catholic doctrine assumes that people are able to remedy or amend their behaviour. A senior executive explained her intentions:

What I must bear in mind when I apply the “We Expect More from You” programme and when I give feedback to a low-performing manager is: how can I help this person develop those skills; how can I contribute to his or her development; how can I provide my collaborator with an environment where he or she can grow? If I succeed in helping him or her to improve performance, rather than just letting the poor-performing manager leave Genera, we accomplish solidarity and common good.

In this sense, when Compartamos’ managers fail to meet their goals, senior managers do not necessarily assume that it is because they are “bad employees”. Senior managers may assume that low-scoring managers have developed bad habits that need to be converted into good habits. The “We Expect More from You” programme may be seen as an MC mechanism that attempts to provide managers with the necessary tools and feedback to overcome bad habits and turn them into good habits by making them responsible for their own development. Compartamos appears not to focus simply on the achievement of, or failure to achieve, business targets (the “what”); the “We Expect More from You” programme may involve managerial interventions in the broader development and self-actualisation of their subordinates.

6.6 “Total Accountability” programme

Apparently in response to the dysfunctional behaviours mentioned in Chapter 5 (i.e. managers appearing to take advantage of the ambiguity of some organisational values as excuses for not achieving business targets), through the Genera-50 strategy implemented in 2015, the senior management team strengthened its business objectives and emphasised accountability to the business. A senior manager commented on the ideas behind the programme:

The *Mística* surrounds us in a favourable environment; undoubtedly Genera is a great place to work. But if someone does not work, he/she

cannot continue working with us. As charming as they may be, no matter how hard they pray or if they go to daily Mass, if they don't give results, they have to go. This has been painful for the founders, but they have understood that protectionism and permissions for those who have poor performance is unfair to others, and it's not good for Genera.

Accountability is a term frequently associated with MC (Merchant and Otley, 2007). Being held accountable means that managers are rewarded when good things happen and penalised when bad things happen, and requires reasons for behaviour to be shared or sought (Roberts and Scapens, 1985).

Senior managers at Compartamos appear to have developed accountability-oriented MCS to stress the importance of achieving budgets and to clarify *a priori* to managers what is expected of them. Furthermore, the senior managers have tried to elucidate the concept of “the person at the centre” by stressing the responsibility of every manager in the new strategy: “The person at the centre means demanding more from ourselves and challenging ourselves; we believe in the ability to overcome ourselves” (internal document). The new strategy emphasises growth, with the aim of reaching 10 million clients in 10 years. The business objectives for 2016 were to achieve a loan portfolio growth of more than 15 per cent (target of MX\$32 billion), reduce expenses (goal of MX\$11.1 billion) and increase net income (target of MX\$3.6 billion). Following Compartamos' top-down budgeting process, these organisational targets were cascaded down to every manager. Internal documents are consistent with some interviewees' opinions about the programme; for instance, the head of the *Personas* Department remarked:

There was confusion about what it meant to have the person at the centre. It was possible that someone who did not comply with his or her promises or who did not achieve results could suffer no consequences. Now, besides being good people, we want our managers to become accountable for their actions.

Genera used internal communication tactics to spread the new business objectives and stress “accountability” as the new focal value. The “Total Accountability” programme was launched to spread the new message. Every manager received a small card stating the main business objectives, emphasising that all activities should be linked to one of those objectives (see Appendix I). Managers had to stop working on

any project unrelated to those objectives. Furthermore, all managers attended a training module on “Total Accountability” and a new appraisal process was implemented.

Every month, all managers must be subjectively assessed by their immediate supervisor as to whether they are “above the line” or “below the line”. Managers who are deemed to be “above the line” are those who go beyond what is asked of them, and who are able to implement solutions and produce outstanding performance despite the difficulties. Managers “below the line” are those who appear to feel victimised and frustrated, become paralysed in their actions, and do not seem to move forward, including those who focus on justifying their results or complying with the minimum necessary. In monthly integration meetings, the head of each department announces the manager who is the highest “above the line”. During the month, a flag is placed at the workplaces of managers rated as “above the line”.⁵⁶

The “Total Accountability” programme may cause an interplay between the “what” (managers held accountable for achievement of their targets) and the “how” (working in accordance with the *Mística*). Although it appears to be about motivating managers toward the “what” and making them accountable for their actions, Compartamos has accompanied the programme with two activities relating to the “how”: focused feedback and focused stories. As well as evaluating whether someone is “above or below the line”, managers are encouraged to explain to their subordinates their reasons for that evaluation, what they have done well and what they should improve. This takes the form of brief feedback before the monthly integration meetings and focuses on the *Mística* aspects of the evaluation (see Appendix I for a copy of the feedback form). A middle manager explained the focused feedback:

All the members of my team have the opportunity to develop and improve as human beings. So I explain to them the behaviours that I have observed. I tell them that it is clearly my perception, and therefore it is subjective, but if they seek to correct those behaviours, they may improve as people.

⁵⁶ This is a subjective evaluation that does not substitute for the performance evaluation described in Section 6.3.

Focused stories are anecdotes of managers who are “above the line”, which may inspire other managers to be creative and do more for their clients and the organisation. The stories must be told in less than 45 seconds, so that managers can repeat them throughout the organisation. A manager gave an example:

An executive from Chihuahua took the initiative to set up a mini advertising campaign on Facebook that he paid for with money from his own bonus. Then, he set up a group of people and replicated the bank’s methodology of group loans, but through Facebook. This helped increase clients. His story inspires the salesforce to be creative and search for new opportunities.

While Compartamos was relatively small and the senior managers had been part of the organisation’s evolution, the founders’ beliefs were disseminated relatively easily in the senior management team through interaction and a preference for oral, face-to-face communications and frequent meetings. The senior management team was key to the implementation of the value system and other MCS in order to spread the *Mística*. Since 2013, Gentera has started to hire experienced senior managers (for example, the chief strategy officer is a former vice-president of Mattel, and the COO is a former senior manager of HSBC), and these new senior managers arrive with their own management teams. It appears to have become more difficult for these newly-hired, experienced executives to understand the *Mística* and the emphasis on the “how”. They criticise the *Mística* and have started to spread a more business/financial results-oriented discourse. A middle manager gave her opinion on this new focus:

Some years ago, the size of our operations allowed us to take the time to sit down and talk to each of our collaborators. We used to have the time to be interested in our people. I believe that some of us continue to do so. But now the emphasis is on results. There is a market out there, there are new competitors and we cannot continue with the paternalism and tolerance that was here before. The *Mística* is something that everyone should have inside, but the pressure from the market and from the shareholders makes us pursue mainly the results.

Another manager added:

Pressure from the competition, and especially the financial market requirements, has influenced the dilution of the approach towards the person. The “total accountability” programme has made it clear that what matters now are the financial results. I suppose that over time this

will be stabilised and we will return to our traditional values, but now there is a clear emphasis on growth.

Nobel prizewinner, Muhammad Yunus may well have had a point when, in 2007, he raised concerns claiming that Compartamos would be interested only in serving its shareholders. The new approach has also impacted on some of Compartamos' symbols. A middle manager expressed her worries about the *Mística* Guardians:

I started working with Compartamos six years ago as an external consultant. I was manager of the firm EY; nonetheless, we participated in the induction programme. The *Mística* Guardian who gave us the induction training module impressed me. He transmitted the passion of his work and he definitely convinced me of the significance and purpose of Compartamos and how they were transforming Mexico. A few months ago, Gentera appointed me as head of one of the strategy departments. Thus, I had to go through the induction process again, but it was not the same. The *Mística* Guardian lacked conviction; he did not transmit the same passion as the one I met six years ago. I felt the same with other departments: people do not live the *Mística* as they did then.

A branch manager also expressed her dissatisfaction with some of the *Mística* Guardians:

The *Mística* Guardians used to inspire us. They fulfilled all the FISEP: they were athletes, good parents, intelligent, had excellent results and projected spiritual peace. When *Mística* Guardians came to my branch, we all wanted to take a photo with them; we even asked for their autographs. Now, anyone could be a *Mística* Guardian. I guess that all the managers of the *Personas* Department have been named Guardians, and indeed not everybody lives Compartamos' values as they should. Of course, these new *Mística* Guardians do not motivate us anymore.

This change of focus seems also to be reflected in daily operations. A branch manager said:

I felt the incongruences. Throughout the eight years that I have been working at Compartamos, I have heard about the values and the importance of the *Mística*. Now everything is changing. Last Saturday, I received a Whatsapp from my boss telling me to suspend all FISEP activities; he argued that it was the end of the month and we did not have time for FISEP. He ordered me to send my executives to collect accounts receivable and to work on the delayed reports.

Another middle manager remarked:

It is true that many people abused it. It was common to hear “they care a lot for me, so I’m going to ask for more permission”, or “I’m going to take a day off; I’ll tell my boss that it is because of a family issue and he will understand”. But I think we’ve gone the other way. Soon, working at Genera will be like working at any other bank.

The founders continue to work in the organisation, and many of the senior executives who designed and implemented the value system still occupy senior management positions at Genera. Furthermore, reducing poverty by eradicating financial exclusion seems to remain the organisation’s main driver, and top executives continue to claim that Compartamos generates three types of value: social, economic and human. Moreover, Compartamos still uses mechanisms to communicate and reinforce its values (Table 5.2) and retains its aids for the integrated development of its collaborators (Table 6.1). Hence, there seems to be a tension between groups of senior managers with different thoughts and orientations: those who are *Mística*-oriented, and “newcomers” who are mainly financial results-oriented.

6.7 Different emphases on available MC mechanisms

The MC literature acknowledges that different managers may use the same tool in different ways: either diagnostically, on an exception basis to monitor and reward achievement, or interactively, to expand opportunity-seeking and learning (Kaplan, 2000; Bisbe and Otley, 2004). Moreover, managers generally make their own decisions on how much emphasis to place on the available MCS (Widener, 2007; Mundy, 2010). Likewise, at Compartamos, using the MC “package” and emphasising particular MCS seems to vary between different managers. For example, founders and senior managers committed to the *Mística* seem to emphasise the use of the value system and engage in frequent dialogue with their subordinates to analyse their individual FISEP targets. Nonetheless, the use of these MCS increases the time spent in feedback meetings and dialogue. Newly-hired senior managers may see FISEP and *Mística*-related events as costly activities that distract the organisation from what seems to matter more: profit maximisation. Hence, groups with different focuses appear to co-exist at Compartamos: some managers seem committed to the *Mística*, using MCS to instil a strategic thrust throughout the company linked with the founders’

values; other “newcomers” appear to be frustrated by the time spent by the organisation on activities that add “no value”.

Table 6.2: Different emphases on available MC mechanisms

	Founders and senior managers committed to the <i>Mística</i>	Newly-hired senior managers	Middle managers committed to the <i>Mística</i>	Middle managers reporting to newly-hired senior managers	Branch managers and salesforce
Value system	<p>Strong emphasis.</p> <p>The objective seems to be to transmit the founders' sense of purpose and values and align the organisation with those values.</p> <p>For example: "Our commitment was to honour and to live our beliefs every day and to disseminate them to all levels of the organisation"; "Our <i>Mística</i> is central to our business model"; "We decided to institutionalise our values; you can see them back there written on every desk and in every office, there is the mission, an image of Mother Teresa and the values."</p>	<p>Low emphasis.</p> <p>They seem to see values and <i>Mística</i> as a distractor from achieving business goals.</p> <p>For example: "The day we forget about Mother Teresa and start thinking about making money, that day we will improve as a bank"; "This idea of linking everything to the <i>Mística</i> and having 'the person at the centre' generates no clarity on the cause-and-effect relationships in how Genera makes money."</p>	<p>Strong emphasis.</p> <p>They seem to follow the mechanisms of the value system and to share the founders' values, and some aspire to become <i>Mística</i> Guardians.</p> <p>For example: "I lived it in the flesh, so I know it's not just a slogan. It was very impressive, and I'm grateful"; "My personal mission is eradicating financial exclusion in Mexico, I believe in Compartamos purpose, I believe in Carlos Labarthe."</p>	<p>Medium emphasis.</p> <p>The value system has mandatory mechanisms to communicate and reinforce organisational values, so although their senior managers seem to try to avoid using the value system, the institution forces them to participate in <i>Mística</i>-related activities.</p> <p>For example: "I like to have Mother Teresa on my desk. She inspires me. She definitely reminds me why I'm working at Genera."</p>	<p>Strong emphasis.</p> <p>Frequent and intense reinforcement of organisational values.</p> <p>For example: "Compartamos' mission inspires us"; "In my branch we all want to be a better parents, reduce poverty, and have a more peaceful spiritual life."</p>

<p>Code of Ethics and Conduct (boundary system)</p>	<p>Strong emphasis.</p> <p>Clear boundaries to prevent misbehaviour. Nonetheless, the data present examples of senior managers being sufficiently flexible to identify sources of dysfunctional behaviour and change the boundaries, for example when Compartamos modified the travel expenses policy (see Section 5.4).</p> <p>For example: “The temptation for mismanagement is huge. It was necessary to set clear limits”; “Thanks to the Code, our collaborators in Compartamos understand clearly what is not permitted.”</p>	<p>Strong emphasis.</p> <p>Clear restrictions. All new employees are expected to study and understand the Code of Ethics.</p> <p>For example: “It is perfectly clear what behaviours are against Genera’ values.”</p>	<p>Strong emphasis.</p> <p>Clear restrictions. All new employees are expected to study and understand the Code of Ethics.</p> <p>For example: “Thanks to the Code, our collaborators in Compartamos understand clearly what is not permitted.”</p>	<p>Strong emphasis.</p> <p>Clear restrictions. All new employees are expected to study and understand the Code of Ethics.</p> <p>For example: “What is good and what is wrong is always clear, and it does not depend on the opinion of the boss, as is the case in other organisations. [...] it also prevents personal interest from rising above what is considered to be the common good of the organisation.”</p>	<p>Strong emphasis.</p> <p>Clear restrictions. All new employees are expected to study and understand the Code of Ethics.</p> <p>For example: “It was necessary to set limits, first to help promoters to reject gifts without offending the clients, but also to prevent officers from conditioning the granting of a loan on receiving a gift or a bribe.”</p>
<p>Top-down budgeting</p>	<p>Medium emphasis.</p> <p>Fixed and immovable annual targets are set and monitored.</p> <p>For example: “Everybody knows that institutional goals and</p>	<p>Strong emphasis.</p> <p>Emphasise the “what” by setting more ambitious targets.</p> <p>For example: “As charming as they may be, no matter how hard</p>	<p>Low emphasis.</p> <p>Budget definitions for non-selling departments are unclear. The data indicate significant confusion between business goals and</p>	<p>Medium emphasis.</p> <p>Their supervisors emphasise business targets, implying that they also emphasise the use of budgets.</p> <p>For example: “There is</p>	<p>Strong emphasis.</p> <p>Promoters and branch managers are required to achieve fixed and immovable financial targets.</p> <p>For example:</p>

	financial indicators are fixed and immovable”; “Besides being good people, we want our managers to become accountable for their actions”; “The fulfilment of our individual budgetary targets is a step forward to reduce poverty and to have a better Mexico.”	they pray or if they go to daily Mass, if they don’t give results, they have to go”; “We are not an NGO anymore. In a bank, the only important objective is to make money.”	personal issues. For example: “Managers are motivated and evaluated on having a virtuous life; but there are also very aggressive business targets. This caused antagonism between personal development (e.g. spiritual, sports, family) and business performance.”	no variation analysis or a context/environment evaluation that may help to explain why someone didn’t reach his or her budgetary targets”; “Either you reach your goals or you will be penalised.”	“Promoters and branch managers are aware that their goals are immovable”; “Either they fulfil the targets, or they get a punishment.”
Performance evaluation: the “what” and the “how”	<p>Strong emphasis.</p> <p>This type of appraisal is used to facilitate organisational dialogue between managers through which strategic learning might emerge. For them, it seems that an objective of a MCS is to implement the founders’ beliefs and align the organisation toward those values.</p> <p>For example: “Assessment brings about a dialogue that helps us to be better people”; “We seek to foster a practice in which a higher salary</p>	<p>Low emphasis.</p> <p>What seems to matter for them are the outcomes, that is financial results: the “what”.</p> <p>For example: “The only thing that matters are the outcomes”; “The forced ranking system aims to give recognition and reward to high performers and to motivate average managers to improve and compete for higher ratings.”</p>	<p>Medium emphasis.</p> <p>In the case of performance evaluation, Compartamos seems to aim to incorporate the <i>Mística</i> into incentives for middle managers.</p> <p>For example: “My boss helps me to improve and I help my subordinates. We have very friendly dialogues. That is why we evaluate the ‘whats’ and ‘hows’ together.”</p>	<p>Low emphasis.</p> <p>For example: “My boss does not care about the <i>Mística</i> or the ‘how’. He has told me: ‘Fill in those useless HR forms, do not bother me with those issues’”; “The only important things are the goals and the financial metrics.”</p>	<p>Medium emphasis.</p> <p>On the one hand, branch managers are evaluated on the “hows”, but on the other, there have aggressive business targets.</p> <p>For example: “This causes antagonism between these two spheres because the causal relationships between personal development (e.g. spiritual, sports, family) and business performance are unclear.”</p>

	increase is given to managers who perform better and live Compartamos' <i>Mística</i> more intensely."				
FISEP	<p>Strong emphasis.</p> <p>Closeness of senior managers to their subordinates. Frequent individual meetings with each member of their team.</p> <p>For example: "The constant dialogue and proximity are key to our FISEP model"; "The only way to achieve a balance in every aspect of our lives is to integrate them, which basically means to unify all parts".</p>	<p>Low emphasis.</p> <p>FISEP and <i>Mística</i>-related events are seen as costly activities that distract the organisation from business issues.</p> <p>For example: "There was significant confusion between business goals and personal issues. For example, I heard about a manager who was given a bonus because he had lost weight. That was absurd"; "Compartamos hired me to improve processes, and I cannot do so with those cheesy activities that the organisation has."</p>	<p>Medium emphasis.</p> <p>They appear to try to follow senior managers' example.</p> <p>For example: "My boss helps me to improve, and I help my subordinates. We have very friendly dialogues"; "When I review the plans with my team, it is common to hear comments like 'my FISEP will include diet, because my blood sugar levels have increased, so this year I will lose three kilos'."</p>	<p>Low emphasis.</p> <p>For example: "I have been working at Genera for almost two years, and I have never established FISEP targets or reviewed 'the how' with my boss"; "We do not have time for such things."</p>	<p>Medium emphasis.</p> <p>Compartamos designed software to measure FISEP. This tool was developed mainly for the salesforce. Promoters and branch managers are encouraged to record their personal goals, and the software follows up whether they have fulfilled their commitments and assigns points. Those achieving higher points are rewarded. However, some felt a contradiction with the Genera-50 emphasis on the "what".</p> <p>For example: "I think we've gone the other way. Soon, working at Genera will be like working at any other bank."</p>

Source: Researcher based on data analysis

However, some of these “new” senior managers have now worked at Compartamos for more than three years, and their views appear to be increasingly influential in the organisation. Table 6.2 presents a summary of some of the uses of and emphases on available MC mechanisms by different managers at Compartamos. The table includes illustrative and representative comments from participants that provide deeper insights into the interview responses.

The different uses of and emphases on the MCS illustrate the two groups that appear to co-exist within Gentera. On the one hand, founders and senior managers committed to the *Mística* aim to achieve success in terms of the more mainstream business targets, and in how people are encouraged to be and behave and have confidence in Compartamos’ value system. As discussed before, this vision seems to broaden the definition of value systems in the MC literature (Simons, 1995b). Compartamos’ founders not only think in business terms, but also aim to help their managers look after their individual needs, sometimes placing greater emphasis on FISEP than on financial/business objectives, for example “We need to determine what our goals are in each of these areas (i.e. FISEP) and learn to balance them if we are to lead successful, rewarding lives.” On the other hand, some newly-hired senior managers appear to perceive the “how” as a distraction from financial and business issues or, at best, just as a means of improving performance and achieving economic value.

These different visions may cause confusion for middle managers. Institutional instruments and central departments (e.g. the HDD and the *Personas* Department) urge managers to comply with the *Mística*, but their immediate supervisors, who are, in fact, senior directors, may ask them not to be distracted by activities that are not specifically related to business, or even not to comply with mandatory activities relating to the value system (e.g. “fill in those useless HR forms, do not bother me with those issues”, or “suspend all FISEP activities; it is the end of the month and we do not have time for FISEP. Send your executives to collect accounts receivable and to work on the delayed reports.”).

6.8 Conclusions

The MC literature traditionally focuses on the achievement of “goal congruence”, whereby MCS may modify the behaviour of individuals so that they carry out what the company needs. In other words, with an effective use of MCS, an organisation can make people *do* what is required, but cannot make them *want* what the organisation

wants. Whatever individuals do, they are still free to want whatever they want. Hence, MCS may cause a separation between what people want and what they do. With MCS, an organisation can even make managers do what they do not want to do, but cannot make them want what they do not desire. However, Compartamos set itself the challenge of encouraging people to be concerned with the whole person, to respect and have dignity as a result of how they behave, and to want to work with others who behave similarly.

Bartlett and Ghoshal (1995) highlight the importance of recognising both the human capacity for agency and initiative and the fact that the organisational context, including its MCS, will encourage “good” or “bad” behaviour, depending on the work that is done to manage that context. Therefore, clarifying the organisational purpose and processes in a way that encourages what senior managers would deem “good” behaviour as opposed to “bad” behaviour through self-development and self-monitoring is suggested as a fruitful way forward for organisations seeking to both shape employee behaviour but also reap the benefits of human behaviour in its broadest sense. For this management philosophy, the articulation of purpose (i.e. why an organisation exists) rather than strategy may be senior management’s first responsibility (Bartlett and Ghoshal, 1995).

Seniors managers’ anthropological conception appears to be at the centre of Compartamos’ purpose. MCS have been designed to disseminate the founders’ beliefs about people and to align the organisation toward these Catholic values. Thus, the founders’ beliefs about human nature operate as a broad umbrella through the variety of mechanisms described, and these are subsequently picked up and used by other senior managers and their subordinates. These beliefs tie in with prevalent understandings of what a person should value, as they are in essence Catholic values which resonate at the national level.

The data reveal that the development of MCS to influence the “how” is connected with and influenced by the religious and ethical ideas of the organisation’s founders. According to co-president Labarthe:

You and I grow from a base of our major strengths, a kind of launching pad if you will. They are our tools for contributing to embellishing creation, to making it more just, cordial, organized and equal. It’s how we help God improve the world; it’s how we contribute to the common good. Our strengths, well focused, in line with our personal mission, are

not only our engine of growth, but also the self-same engine of growth for society (Labarthe, 2013, pp.12-13).

Compartamos' leaders use evangelical techniques through MCS to recognise the spiritual dimension as an integral part of human nature. Through these religious-type discourses and MCS, they seek to reconcile individual and organisational interests (Bell and Taylor, 2003). Moreover, Compartamos' internal communications provide a means of elevating the meaning of work through the construction of a potentially transcendent purpose or moral obligation (Pérez López, 1993; Bell and Taylor, 2003).

Compartamos appears to target "manager consent", with the intention that managers want, or come to want, what their senior managers want. The data reveal claims by middle managers such as "my mother gave me the same kind of advice as my boss", "the *Mística* is part of me" and "Gentera's values are the same values which my parents instilled in me". Compartamos' MC tools are held to be effective because senior managers believe that they do not simply align middle-manager and organisational interests, but that some managers claimed that they wanted what senior managers at Compartamos wanted them to value.

Some managers acknowledge the benefits of Compartamos MCS: "Compartamos definitely established the context in which they were promoting a better version of myself", claimed a former manager. An officer said, "I used to come home from work and lie down on the couch to watch TV. Now, I exercise and spend time playing with my children. My wife is grateful to Compartamos and to FISEP."

From a critical perspective, some have argued that this sort of ideology reflects an ideology of work that relies on colonisation of the self (Bell and Taylor, 2003; Tourish, 2013). Bell and Taylor (2003) reflect on how such spiritual discourses represent an attempt "to mobilize the individual to serve the interests of the organization through the construction of a regime of truth based on ideas about potential, growth, purpose, meaning and community" (Bell and Taylor, 2003, p.337). This capturing of all aspects of life through a single authority is redolent of the concept of pastoral power to which Foucauldian theorists refer when discussing the governance of modern life (Foucault, 1982).

Certainly, requirements to attend Mass, not to drink while wearing a Compartamos uniform, to put effort into non-work aspects of oneself (reading, running, dieting, etc.) and so on demonstrate a complex interplay with what might traditionally be considered

the work and non-work self. However, Compartamos has an ambiguity around this. The possibility of putting the non-work self first shows that there is no clear-cut positioning of the organisation as the prime beneficiary within accountability and identity work. This may, of course, change if more recent trends continue.

However, based on the data, it is clear that senior managers do not all share the same opinion about the FISEP/*Mística* or use the MCS in the same way. The indoctrination process and pressure to share targets on personal dimensions (e.g. spiritual or family) with immediate bosses sometimes raise concerns that the organisation is interfering with managers' privacy. Compartamos' senior managers argue that their managers have the sensitivity to know how much pressure to apply and how far to go into private and intimate matters; moreover, managers define their own targets and indicators, so it appears to be a matter of individual freedom how much information to share or what type of targets to establish. However, there is evidence that managers may fake religious practices, or make subordinate managers uncomfortable by forcing them to participate in prayers or masses, and it was suggested that talented managers may resign because they do not share some of the organisational practices.

Compartamos' senior managers have played up their value system. As suggested by Simons (1995b), companies use beliefs systems to articulate the values and direction that senior managers want their middle managers to embrace:

It is very important for people to reach the same conclusion as that of the top management, because we have the same values, and for all employees to share the same beliefs. It is a more tortuous but effective way. My responsibility is to motivate all levels of the organisation, and we do not do this with money. Considering economic values as the only means of motivation means not valuing people, not taking them seriously (Compartamos Senior Manager).

The multitude of procedures comprising Compartamos' value system seems to support the notion that the communication of values begins with the writing and distribution of credos, mission statements and similar documents (Simons, 1995b; Marginson, 2009). This study also presents evidence confirming Marginson's (2009) finding that value systems play a relevant role in influencing social interaction. Compartamos places considerable reliance on the effectiveness of social programmes (e.g. weekly integration breakfasts, strategic alignment meetings, monthly integration meetings) in generating enthusiasm to influence others' behaviour and drive organisational

performance through interactions with other managers. Moreover, the dialogue stimulated by the different elements of Compartamos' value system may contribute to increasing managers' commitment to the espoused values (Marginson, 2009), boosting "value congruence". For example, "The FISEP assessment brings about a dialogue that helps us to be better people [...] Closeness and interaction among peers, top managers, and collaborators have allowed us to understand and live the *Mística*."

In tandem with the value system, Compartamos uses a whistle-blowing system (i.e. boundary MC system) and the discretionary actions of the Honour Committee to generate a perception of fairness, or what Cugueró-Escofet and Rosanas (2013, p.29) call "informal justice", "which requires that subjects update their justice reasoning based on the unfairness they witness or perceive, or for which they are held responsible". The findings of this study show that senior managers at Compartamos are flexible and willing to modify systems and policies (e.g. travel expenses policy); hence, managers may believe that, if an injustice occurs, senior management are committed to righting it, and even updating the system, if necessary, to restore the "just order" (Cugueró-Escofet and Rosanas, 2013, p.29).

Together with the value system and the Code of Ethics and Conduct, Compartamos has MCS that aim to foster managers' personal development by encouraging them to acquire habits on the FISEP dimensions. MCS act simultaneously and interdependently, aiming to encourage closeness and identification between senior managers and subordinates. Indeed, the development of *Mística*-related diagnostic practices is an innovation that shows that Compartamos believed that it needed to reinforce its belief-system work through values-based diagnostics.

The strategy of improving the financial position of the poor through microfinance delivered by trustworthy people is embedded in the different parts of the MCS (beliefs, diagnostic and boundary). However, there are differences and variety in how this is made visible through financial and *Mística* categories. The move to integrate these categories through a simultaneously dual-focused appraisal is a notable move which shows that the production of values-based accountability, whilst requiring ambiguity to be personally meaningful, also needs to be controlled.

Although the tensions between the commercial and the social agendas of Compartamos have only become very salient within day-to-day life after 2013 when Genera holding was formed, that tension was nevertheless present in how some

observers have reviewed Compartamos. Muhammad Yunus raised concerns in 2007 claiming that Compartamos would be interested only in serving its shareholders and that the organisation was losing its way. Although there is a strong narrative coming from the founders and longer term members that the spiritual and social dominated, this does not mean that financial concerns were not also something salient in the minds of the senior members in the early days. We do not have access to records relating to these decisions, but the decisions to set interest rates at quite a high rate seemingly permitted the bank to be comfortable financially in the early days. Given the need to ensure repayment then the construction of a relationship of accountability and guilt between bank and clients was central. The 'good' Compartamos employee was therefore not only essential in building trust in an environment of corruption, but it was also central in ensuring commercial pressures were not a problem in the fledgling years.

Compartamos is a success story of growth, made possible, in part, by the very nature of microcredit —it is a service that clients both need and are able to purchase. However, constant growth, internationalisation, structural changes and the creation of the holding company, Gentera, have presented new challenges. Newly-hired senior managers with experience in more traditional companies find it difficult to understand the *Mística* approach and have started to spread a new, more results-oriented discourse. Far from clarifying the concepts, the new discourse, which focuses more on the business aims, generated a certain level of apprehension in some middle managers, who reported experiencing incongruence with the 25-year-old institutional philosophy —e.g., the manager who expressed that her boss had ordered her to suspend all FISEP activities because they did not have time for those non-profit-oriented tasks anymore, reporting this as an incongruence with the previous values-discourse that she had heard during eight years.

It seems that the *Mística* and the emphasis of the MCS is shifting from aligning managerial values to becoming a means to achieve financial results. From its origins, the organisation has argued that it is able to generate three types of value simultaneously (Social Value, Economic Value and Human Value); however, the empirical data appear to indicate that in the last years Gentera has taken a turn from the balance to a privileged of the economic results. Moreover, it seems that the *Mística*, the social discourse, and the related MCS have become a means to motivate

managers to achieve financial targets. A former senior manager and former deputy Board member of Genera explained that the main focus of the Board is to increase profitability even at the expense of the *Mística*: “Some of the Board members were constantly challenging the Serviazgo programme and other *Mística* related activities. The argument was that reducing training and other *Mística* activities, the organisation could increase one or two points of its EBITDA.” Nobel prizewinner, Muhammad Yunus may well have had a point when, in 2007, he raised concerns claiming that Compartamos would be interested only in serving its shareholders. The new approach has also impacted on some of Compartamos’ symbols; as mentioned before, some newly hired senior managers have argued that the day they forget about Mother Teresa and start thinking about increasing profitability, they will improve as a bank.

Therefore, as it has been pointed out in the literature of microfinance (e.g. Copestake, 2007; Datar et al., 2010), there is serious concern that Compartamos may drift away from its social mission in the search for financial performance. In order to avoid mission drift, Compartamos should exercise great care to avoid the potential pitfalls of changing its *Mística* (Battilana and Dorado, 2010). To the extent that growth is driven by financial sustainability, pressures to shift away from its social mission are unlikely to abate (Hishigsuren, 2007). The tension between the desire for social impact and the demands for financial performance can be intense, and balancing the two is a significant managerial challenge (Datar et al., 2010).

Battilana and Dorado (2010) explain that the success of a hybrid model depends on its ability to minimise the risk of tension and conflict by first hiring people with few preconceptions regarding the functioning of organisations and then focusing attention on operational excellence. The growth and internationalisation of Genera Group and the new hires in senior positions may increase conflict. Compartamos may “assure that, in the long run, operational excellence does not become an end in itself, thereby possibly superseding the original hybrid goal of the organization” (Battilana and Dorado, 2010, p.1435). Datar et al. (2010) argued that increased professionalism and efficiency have not guaranteed other social-microfinance organisations improved results for their clients. They suggest organisations like Compartamos to focus on social performance measurement and to use this measurement as the foundation to emphasise their efforts in a manner that truly improves the lives of marginalised women (Datar et al., 2010).

The Compartamos case, which shows how the organisation has designed and used MCS, provides details that may help better understand how organisations are developing MCS that formalise aspects of “how to be” and “how to behave.” The final chapter considers the relevance of these details to understanding the challenges of MCS and values-based organisations.

7. DISCUSSION AND CONCLUSIONS

7.1 Introduction

This study has explored MCS and their use in aligning managerial values. As discussed in Chapter 2, MC was originally mainly about the “what”, in terms of financial targets before widening to include non-financial performance measures; now, new developments have expanded their scope and practice to attempt to shape managers’ mindsets by focusing attention on organisational values (the “how”). This thesis has reported on a case study of Compartamos, a Mexican microfinance bank in which senior managers have used MCS to achieve value congruence by requiring that tasks and targets be accomplished in specific ways that are consistent with the organisation’s values (“the right way according to the *Mística*”). The organisation also seeks the “integral development” of its managers. This thesis has sought to broaden the scope of value systems by challenging the assumption of the MC literature that value systems cannot be used as standards against which performance can be measured, nor tied to a formal organisational incentive system. It has also sought to widen the scope of MCS to include the goal of integral human development (i.e. physical, intellectual, social, family, spiritual and professional development).

As the specific focus of this study was on how and why organisations use MC mechanisms to attempt to influence the “how”, a qualitative approach to the research appeared to be most appropriate. Case-study research was chosen as a method to advance understanding of the accounting and MC field by presenting a specific MC practice (Carmona and Ezzamel, 2005; Merchant and Van der Stede, 2006; Cooper and Morgan, 2008).

In this chapter, the research questions are revisited, not only to summarise the main findings but also to reflect on the lessons learned from this research project. The answers to the research questions are based on analysis of the findings, their empirical and theoretical implications and, most importantly, personal insights gained during the research. The chapter is structured as follows. In Section 7.2, the research questions are revisited, Section 7.3 summarises the major contributions of the research to the existing MC literature, and Section 7.4 discusses the limitations and shortcomings of this research project. Finally, Section 7.5 presents some personal reflections, and suggests opportunities for further research.

7.2 Revisiting the research questions

The main research questions of this thesis were:

- How is the “how” attempted? What MCS are involved and why are these MCS involved?
- What are the reasons for attempting to influence the “how”? Are these reasons influenced by ethical or religious motives?
- What might be the consequences/effects of attempts to influence the “how” on people’s day-to-day work? Are there unintended side effects of the use of MCS to influence the “how”?
- Do senior managers’ beliefs about human nature play a role in the design or use of MCS attempting to influence the “how”?

7.2.1 MCS involved in attempting to influence the “how”

Senior managers at Compartamos seek to align managerial values with those of the organisation through an indoctrination process known in the bank as the *Mística*. Compartamos’ value system is the main mechanism for implementing the *Mística*.

In the relevant literature, scholars have criticised Simons’ beliefs systems, particularly when implemented with broad or vague statements such as missions, visions or company slogans, for playing an insignificant role in shaping actions or influencing behaviours (e.g. Argyres and McGahan, 2002; Chenhall et al., 2014). The extant literature states that it is also unclear whether MCS may move beyond the passive role of mission statements and values described by Simons to play a more active role in shaping behaviours and generating “value congruence” (Chenhall et al., 2014). At Compartamos, the value system compounds a process in which various mechanisms act simultaneously and interdependently. The frequent reinforcement of the *Mística* through these various mechanisms may help to enhance “value congruence”. Furthermore, Compartamos’ environment may encourage the adoption of organisational beliefs, proselytisation and indoctrination. For example, the existence of a chapel in the corporate building, among other symbols, may give consistency to Compartamos’ discourse, strengthen the message of the “person is at the centre” and allow the founders to incorporate concepts of Catholic social doctrine into organisational documents and procedures. Therefore, Compartamos’ environment may facilitate religious-type discourses, providing a means of elevating the meaning of work

through the construction of a potentially transcendent purpose and moral obligation (Pérez López, 1993; Bell and Taylor, 2003).

Scheytt and Soin (2005) argue that a shortcoming of Simons' beliefs systems is his erroneous conceptualisation of culture. Understanding culture may help senior managers to predict how their organisation is likely to respond to different situations (Christensen and Shu, 1999). Organisational culture is considered to affect and regulate how participants think, feel and act within the framework of a specific organisation (Schein, 1985; Henri, 2006a). According to Schein (1985), there are several levels of organisational culture, from artefacts and creations, to values and basic underlying assumptions. How things are done and problems solved in an organisation is developed at the level of "values" (Schein, 1985). The Compartamos data reveal that value systems are related to and interact with organisational culture, and that their employment aims to secure espousal to values and beliefs (Schein, 1985). This may explain why newly-hired senior managers at Compartamos appeared to find it so difficult to understand the *Mística*, especially those with previous experience in senior positions in other banks or industries. As they did not share the Compartamos way of doing things, the *Mística* seemed to be a distraction from achieving business goals. This may represent a huge challenge for the founders if they wish to maintain their dual logics of a social purpose to help marginalised Mexican women, and a banking logic that requires sufficient profits to support fiduciary obligations. Otherwise, Muhammad Yunus' concerns that Compartamos will be interested only in serving its shareholders may be realised.

Nonetheless, the value system is not the only MC mechanism that Compartamos has used to attempt to influence the "how". The strength of its implementation process appears to lie in the simultaneous use of different MCS, including FISEP, performance evaluation, a mentoring programme and a Code of Ethics. However, it is debatable whether Compartamos will continue to be able to achieve a balance between the "what" and the "how" in the future.

7.2.2 *Reasons for attempting to influence the "how"*

Compartamos' motives for attempting to influence the "how" appear to be based on its social intentions and to be explicitly religious. At Compartamos, the founders and senior managers seem to believe that work is not the only aspect of people's lives; outside

work, managers have families, personal projects, health issues, hobbies and needs. This may connect with the attractiveness of Compartamos' purpose and values (i.e. reduce poverty, make a better society, and achieve integral human development under the FISEP model) and how its mission is stated and reinforced by the company's formal communication channels and MCS in order to give managers uplifting reasons for being committed to Compartamos' purpose.

Questions arise about whether these MCS can be replicated and implemented in companies that are not religiously affiliated, and how the "how" might be attempted in organisations with no social purpose or religious affiliation.

7.2.3 *Intended and unintended consequences and effects of attempts to influence the "how"*

The data reveal that Compartamos' founders and senior managers have sought to align managerial values with those of the organisation. The primary objective of the simultaneous use of a value system and other MC mechanisms has been to attempt to achieve value congruence, creating harmony between managers' beliefs and organisational values. Nonetheless, Compartamos appears to have gone further: the indoctrination process called the *Mística* seems to aspire to managerial adoption of organisational values, thereby elevating the meaning of managers' work by constructing a potentially superior purpose and moral stance (Pérez López, 1993; Bell and Taylor, 2003).

Another intended effect seems to be the expulsion (resignation or dismissal) of managers who do not adopt the espoused values; however, this has not been achieved with some newly-arrived senior managers. This poses new questions. For example, with the growth and internationalisation of Gentera, is the *Mística* losing its strength? Can the *Mística* be compatible with a worldwide organisation? How far can harmony between values and growth be maintained?

The organisation seeks to encourage managers to take actions that are in the best interests of the company, and to achieve those tasks in specific ways that are consistent with the organisation's values or, as stated in Compartamos' internal documents, "the right way according to the *Mística*". For some managers, this harmony between organisational values and managers' moral codes appears to go beyond making them *want* what the organisation wants, and to target their consent. In such

cases, MCS at Compartamos appeal to managers' "acts of volition", so that they do things because they want to do them (Llano, 1996).

Furthermore, MCS may attempt to develop human potential and mould human behaviour by encouraging Compartamos' managers to pursue personal goals, leading to personal growth on the FISEP dimensions. In this way, senior managers seem to be trying to generate HAV. Compartamos even designed a MCS to encourage its managers to "dream" and act on their dreams. It thus "aspires" to promote the complete development of the person, from its managers' health to their dreams; and seeks to design different MCS to accomplish that aspiration.

As has been discussed, the achievement of the "how" using MCS is by no means guaranteed, and is not unproblematic. The case study reveals several unintended side-effects. Reinforcement with religious symbols may create discomfort and irritation for some managers. It may also encourage some managers to "pretend" to share Compartamos' beliefs in order to be accepted or promoted. This case also illustrates conflicts between the "what" and the "how" caused by managers taking advantage of the ambiguity of some organisational values.

However, a particularly important factor is the behaviour of managers in "gaming" the FISEP. FISEP is an MC mechanism apparently designed for personal development, to help each manager become a "better person". However, some managers appear to cheat or delude their bosses, and in doing so, may be deluding themselves. As presented in Chapter 2, Argyris (1952, 1953) suggests not only that dysfunctional behaviour is a natural human tendency causing a need for organisations to use controls, but also that using MCS may cause dysfunctional behaviour. Following Argyris, the Compartamos data suggest that, even if MCS are presented as a mechanism for the benefit of individuals, they may try to game the system. Why would managers lie about meeting targets relating to their family, sporting or spiritual lives? Is the organisation intruding too far into people's privacy? Further research on relationships between human nature and MCS is needed to explore these questions.

7.2.4 Role played by senior managers' beliefs about human nature in the design and use of MCS to attempt to influence the "how"

Many leadership and management theories draw substantially on neoclassical theories of human beings. According to this mindset, humans are materialistic utility maximisers

who value individual benefit over group and societal benefit. At Compartamos, senior managers seem to follow a different approach. As stated in Chapter 2, Miller and O'Leary (1990, p.491) claim that M-form companies require a culture of individualism not shackled to "medieval religion and the feudal period but rooted firmly in the reality of a technological responsibility". Interestingly, Compartamos' founders based their beliefs on a "medieval religion", and senior managers have designed and implemented MCS to align managerial values with the beliefs of that "medieval religion". Thus, it appears that beliefs about human nature do play a role in the design and use of MCS.

The findings of this study appear to support Bartlett and Ghoshal's (1993, p.43) conclusion that an organisation is fundamentally a social structure: "Even though actions of and within organizations may be motivated by a variety of economic and other objectives, they emerge through processes of social interactions that are shaped by the social structure." Compartamos' management philosophy appears to be aligned with Bartlett and Ghoshal's (1995) model based on purpose, process and people, with MCS aiming to develop personal values and interpersonal relationships that encourage self-monitoring. The Compartamos data also reveal parallels with Morrell's (2012) explanation that the "organisation becomes not just a place where managers work, but a diffuse category of social forms and, crucially, activities encompassing politics, persuasion, ethics and aesthetics" (Morrell, 2012, p.4).

Senior managers at Compartamos make their beliefs about human nature explicit, claiming that they trust people, their word, and their disposition to succeed and develop their skills. Senior managers claimed to believe in people's abilities and recognise their natural desire to prosper. Based on these beliefs, senior managers argued that they are able to generate three different types of value: social, economic and human. Compartamos also stated that it seeks self-realised people whose actions focus on creating social, economic and human value, and that Compartamos' managers are not a resource or a means to achieve financial goals. The founders and senior managers appear to believe that each manager is an end in him/herself. As one senior manager claimed, "Our job is not only to achieve our business goals. Our aim is that, through our self-realisation, we will achieve the objectives and take care of our people." Thus, Compartamos affirms that an important task of leaders in the organisation is to train and develop its managers according to the values of dignity, solidarity, subsidiarity and the common good.

Analysis of the Compartamos data suggests that beliefs about human behaviour play a pivotal role in how senior managers emphasise available MC tools in order to minimise conflict between individual interests and corporate goals. Managers at Compartamos have implemented a “package” of MCS, such as the mission statement, the credo, a set of values, the strategic planning process, the FISEP scorecard, the mentoring and evaluation system, the reward system, and the Code of Ethics. Senior managers also appear to know about and understand the available tools, and make decisions to emphasise or de-emphasise these tools according to the context and the different challenges, although they appear to do so based on their own beliefs about people and on their own business orientation (*Mística*-oriented, or financial results-oriented).

Seniors managers’ anthropological conception is at the centre of Compartamos’ purpose. MCS have been designed to diffuse the founders’ beliefs about people and to align the organisation with the senior managers’ Catholic values. According to one senior manager, “In order to make our thoughts about people explicit, we allocated resources, we established indicators, targets, and we started measuring them.” Thus, senior managers’ beliefs about human nature operate as a broad umbrella at Compartamos Bank. They emphasise value systems in order to motivate, and especially inspire, employees to seek, create and expend effort on engaging in appropriate actions aligned with their mission of eradicating financial exclusion in Latin America. Constant repetition of Compartamos’ beliefs is an informal force that may lead to desirable behaviours.

Compartamos seems to attempt to use a combination of MCS to balance the natural tension between managers’ personal well-being and organisational needs. Senior managers acknowledge that their subordinate managers may be self-interested, so Compartamos uses a magnanimous purpose to inspire managers to seek, create and commit to taking part in necessary actions for the company to achieve its desired future. Senior managers also operate an attractive reward and evaluation system to motivate managers to achieve budgetary targets (the “whats”), but in the right way according to the organisation’s philosophy and the *Mística* (the “how”).

Moreover, to avoid temptation in a corrupt context such as Mexico, Compartamos’ Code of Ethics and the whistle-blowing system work as a set of boundaries that proscribe certain types of conduct. This tends to support Cugueró-Escofet and

Rosanas' (2016) statement that stressing the importance of the use of MCS "can result in organizations that help people to pursue personal goals that allow them to improve, while at the same time achieving what is good for the organization as a whole and for the rest of the participants" (Cugueró-Escofet and Rosanas, 2016, p.15).

The design and use of MC tools by Compartamos' managers also appears to support Bartlett and Ghoshal's (1993) argument that an entrepreneurial process is built on the assumption that individual human beings have the faculty for personal agency and initiative, and organisations then create selection devices and support mechanisms to provoke and encourage such behaviour. MCS at Compartamos are designed to embody the organisation's values and to align managers with the company's beliefs.

7.3 Major contributions

This thesis contributes to the MC literature in several ways. First, it challenges the assumption of the MC literature that value systems cannot be used as standards against which performance can be measured, nor tied to a formal organisational incentive system. My study presents a case in which values are used "diagnostically" (Simons, 1995b). The findings suggest that value systems are not just a means of boosting performance and accomplishing organisational aims or strategic renewal; they may also be used to foster people's development on various personal dimensions, including health, intellectual, spiritual, social, family and professional. In order to achieve this, Compartamos has attempted to translate personal issues and "values" into critical performance variables. It has sought to align managerial values through a process of planning, goal setting, performance measurement, evaluation and incentives to encourage managers to take actions toward the achievement of assigned targets.

Therefore, my thesis contributes to Simons' LOC literature by providing empirical evidence of a combined use of two levers that had not previously been considered to go together: beliefs systems and diagnostic control systems. Compartamos intended to translate the *Mística* into critical performance variables. In this way, senior managers at this Mexican micro-finance bank use the organisation's beliefs system together with its diagnostic control system. Moreover, Compartamos' values are used as an integral part of the organisation's appraisal and incentive systems; hence, this research adds to the LOC literature by elaborating on a combined use of two levers of control. Furthermore, this study also contributes to the LOC by examining the framework —which was

developed on the basis of findings from US companies— in the context of an organisation in an emerging economy, responding in this way to the call made by Martyn et al. (2016).

In the United States at the time Simons was writing there is likely to have been little corporate management appetite for a foray into the explicit micro-management of personal values. Thus, although Simons was always keen to portray the levers as a connected set of concerns, the potential of a connection between beliefs systems and diagnostic control systems was missing. The research here shows that over the last 20 years, in this Latin American organisation with a social welfare agenda, the appetite for measurement and for intervention into the personal aspects of life have come together and the two levers can be connected. This then raises the issue of ensuring that managers being taught to think in terms of levers are also aware of the potential and the pitfalls of such a connection.

Second, the thesis contributes by providing an account of how value systems may be implemented in practice. It has examined the potential intended and unintended effects of engineered value systems on patterns of organisational behaviour. Evidence from the case study suggests that frequent reinforcement of the organisation's philosophy through its value system, along with appropriate boundary systems, may help to enhance "value congruence". In detailing the implementation process of a value system, the study fills a gap identified in the MC literature (Otley, 1999; Merchant and Van der Stede, 2006; Cugueró-Escofet and Rosanas, 2016) regarding whether and, if so, why organisations may implement "softer" approaches involving the encouragement of shared values, and what may be the possible consequences of doing so.

Third, the study contributes further insights through evidence suggesting that value systems may be used to implement a particular set of organisational values. It documents a range of procedures that may be involved in using value systems as a type of indoctrination process. This process comprises various mechanisms that act simultaneously and interdependently. For some managers, this interplay between various MC mechanisms appears to go beyond value congruence, from making managers want what the organisation wants, to targeting managers' consent. These findings may help senior managers to devise sophisticated value systems for maintaining or altering patterns of organisational behaviour.

Fourth, the study reports on a case in which a value system is used simultaneously with other MCS, aiming to align Compartamos managers' behaviour with the founders' beliefs and the business strategy. In this case, the senior managers implemented MCS (e.g. the FISEP scorecard and the *Sueñómetro*) based on a Catholic notion of human nature, seeking to achieve the integral human development of their managers as a result of pursuing goals on different dimensions (physical, intellectual, social, family, spiritual and professional). Compartamos' MCS even tried to influence managers to attempt to achieve their own dreams.

Fifth, the study contributes to the literature on hybrid organisations by documenting a case of the performance measurement system of a bank that shares some characteristics with hybrid organisations, which face the double challenge of being successful ventures (i.e. fulfilling fiduciary obligations by being profitable), while balancing the combined banking and development logics to avoid deviating from their social purpose.

Finally, this thesis provides an account of how MCS seeking to achieve the "how" may be implemented in practice in a way that is sensitive to the national context of Mexico. The study also contributes to the MC literature by responding to Martyn et al.'s (2016) call for empirical evidence on how national culture impacts on the use of MCS and how the use of MCS influences organisational sets of beliefs. Moreover, this study responds to some degree to Kraus et al.'s (2016) call to investigate ideological control relating to senior managers' use of rituals and symbols, and "ideological talks" through which they target employees' values, beliefs and emotions.

7.4 Limitations and shortcomings

At least four limitations influence the interpretation of these study's findings. First, the focus on a single organisation limits the generalisability of the results. However, in using the "skeleton" metaphor of the middle-range approach (Laughlin, 1995), the Compartamos case data provide the "flesh" to illustrate Marginson's (2009) value system framework. Nonetheless, investigating the use of value systems through a range of different organisations and industries would provide a valuable extension to the research presented in this thesis.

The second limitation is that, although this study sought to produce an acceptable account of the uses of a value system and other MCS in a single organisation (Ahrens

and Chapman, 2006), the data were taken from a small sample; therefore, the findings should be treated with caution.

Third, although efforts were made to triangulate the data from different sources, managers' and senior managers' opinions and views have been given considerable weight in the analysis of this study.

Finally, the data analysis was performed on the basis of a set of choices made by the researcher; thus, the findings and conclusions are subject to the in-built analytical and interpretative biases of qualitative research. Attempts were made to minimise researcher bias through supervisors' feedback and the adoption of protocols for data analysis.

7.5 Personal reflections and opportunities for further research

This case-study prompts reflections, not only on the use of MCS and their effects on attempting to influence the "how", but also on the research process itself. Case-study research entails proximity to an organisation that provides the researcher with a unique learning process. As explained in Chapter 3, in social science, the object of study (the human being) talks back to the researcher; therefore, object-reflexivity is always needed. In case-study research such as the Compartamos study, reflexive thought is aimed at action. It is the ability to think and act in relation to values (Flyvbjerg, 2001).

The case study allowed the researcher to get involved in and live the Compartamos experience. The process of interviewing the founders, observing the passion with which they defended their values and thoughts, and hearing from them, face-to-face, that Compartamos has been a miraculous story was indeed contagious. Moreover, the process of observing senior managers in their meetings and then talking with their subordinates allowed the researcher to become deeply involved with them. Sometimes, the involvement even became emotional: the researcher felt that he was sharing some of the organisation's values and purpose. The challenge was to distance oneself from the amusing stories and the rhetorical and passionate discourse in order to achieve an in-depth data analysis to answer the research questions. The middle-range approach was useful in mitigating personal biases. MC frameworks such as Marginson's (2009) value systems enable empirical detail to provide the "flesh" to make the middle-range "skeleton" meaningful.

The Compartamos case-study data raise awareness of the relevance of beliefs about human behaviour to the design and use of MCS. As suggested by Simons (1995b, 2005), senior managers ought to question their assumptions about human behaviour before designing and using MCS. According to Alan Alda:

... once you make a habit of making distinctions, you'll begin challenging your own assumptions. Your assumptions are your windows on the world. Scrub them off every once in a while or the light won't come in. If you challenge your own [assumptions], you won't be so quick to accept the unchallenged assumptions of others. You'll be a lot less likely to be caught up in bias or prejudice or be influenced by people who ask you to hand over your brains, your soul or your money because they have everything all figured out for you (Alda, 1980).

Rather than being oriented toward profit maximisation, MCS at Compartamos are values-based and moderation-oriented. In other words, Compartamos' MCS are intended to motivate human development in organisations, and in order to accomplish this, MCS may strive not only to achieve sufficient economic added value, but also to provide goods and/or services useful to society, and generate sufficient HAV, taking into account people's dignity and the common good. As Mexican philosopher Alejandro Armenta said, "If you treat me as if I were good, you help me to be good. If you treat me as if I were bad, selfish, and opportunistic, you get the worst of me. If you treat me considering the potential for good that is in me, you help me to be what you see as possible."⁵⁷

Analysis of the research findings reveals avenues and opportunities for future research. A longitudinal, follow-up research study on Genera/Compartamos might address longer-term questions. For instance, is it possible to maintain a balance between the "what" and the "how" in the long term? Will financial market pressures, the arrival of new senior managers with experience in other industries, continued growth and internationalisation allow the organisation to maintain its interest in the "how"? Can the *Mística* be compatible with a worldwide organisation? How far can harmony between values and growth be maintained? Will working for Genera/Compartamos become like working for any other bank?

⁵⁷ Armenta used this phrase while preparing a study for IPADE Business School's alumni programme, "Control vs. empowerment? A reflection on the manager and the people he leads" in March 2012.

These avenues of research lead to questions as to whether the model is applicable to other types of industry or company. Is it possible to influence the “how” in an organisation that does not have hybrid logic characteristics? Can a value system like the one used in Compartamos be used in other types of organisation or industry in countries with religious backgrounds?

Questions also arise as to whether these MCS can be replicated or implemented in companies that are not religiously affiliated. How might the “how” be attempted in an organisation that has no social purpose or religious affiliation?

The Compartamos data suggest that, even if MCS are presented as a mechanism for the benefit of individuals, the latter may try to game the system. Why would managers lie about meeting targets relating to their family, sporting or spiritual lives? Is the organisation intruding too far into people’s privacy? Research on relationships between human nature and MCS might help to explore these questions, and this study may represent a possible starting point.

Appendix A: Interview guidelines

Appendix A.1: Interview guideline used in first stage of the research project

Phase 1 – Warm-up: Context and responsibilities

- Tell me about your key responsibilities.
- What are the organisation's key strengths and challenges at the moment?
- What are the main motivations or motors in your organisation (or department)?
- Tell me about your managers and your relation with them. (Who are your subordinates? How many people report directly to you? What departments report to you?)

Phase 2 – Levers of Control

- Beliefs systems:
 - What are the vision and the mission of the organisation and how are they made known to managers and employees?
 - Do your managers/subordinates share your values, and your organisation's beliefs?
 - How important is it for you to take into consideration the company's beliefs, such as vision and mission statements, in your daily decisions?
 - Do you remember an anecdote where you or your managers/subordinates put into practice the organisation's beliefs in the daily work?
- Boundaries system:
 - Have you explicitly defined boundaries?
 - Do your employees understand what is absolutely forbidden?
 - Do you use explicit restrictions (boundaries) in the daily management of your organisation?
 - Do you remember a specific situation in which you used such restrictions to make a management decision?
- Diagnostic control system
 - What are the organisation's key performance measures deriving from its strategic objectives?
 - How are they specified and communicated, and what role do they play in performance evaluation?
 - How do you set appropriate performance targets for them?
 - What processes, if any, does the organisation follow for evaluating individual, group, and organisational performance?
 - Is performance evaluation primarily objective, subjective or mixed? How important are formal and informal information and controls in these processes?
 - What rewards –financial and/or non-financial– do managers and other employees gain by achieving performance targets or other assessed aspects of performance? What penalties do they suffer by failing to achieve them?
- Interactive use of control system
 - What worries you the most in your role as manager and what mechanisms do you use to explore it?
 - Do you have any information system to get feedback and feedforward?
 - How do you interact with your managers and subordinates to analyse this information and to discuss about the future of your organisation?
 - How do controls and their uses differ at different hierarchical levels?
 - How often do you use meetings or workshops for your decision-making process?

- Do you have formal and periodical meetings to check the progress of the organisation's strategy?
- How do you obtain information about the external factors that could jeopardise your strategy or endanger the organisation's future?
- How have the dynamics of the organisation and its environment transformed the MCS in the last years?

Phase 3 – Assumptions about human nature

- a) What is your general opinion about your managers and your subordinates?
- Do they follow your instructions? Is it easy to make them understand?
 - Do you believe that, in general, your subordinates are always "rational"?
 - What are the consequences when they act "irrational"?
 - How honest and trustworthy are your employees?
 - What are the most common 'personal goals' of your managers?
 - What are the most common motivations of your subordinates?
 - Do you think your people are never satisfied and always want more and more?
- b) Opinion about his/her boss and about the organisation's CEO
- How is your relation with your boss?
 - How is the relation of your boss with other subordinates?
 - What does he/she think about his/her employees?
 - What is the general opinion of the employees about the CEO? Do they admire him/her?
 - What is your boss's relation with other people (customers, peers, board members)?
 - Is your boss interested in his/her employees' families?
 - How many employees does the CEO address by his/her first name?
- c) Opinion about him/herself:
- What is your personal goal? Does this company help you to achieve it?
 - What are your main motivations?
 - Does everything have a price? Does everybody have a price?
 - Is your company a place where you could achieve self-realisation? What do you think your boss's position about this is? What about your subordinates?

Appendix A.2: Interview guideline used in the second stage of the research project

1) FISEP scorecard:

- What is your opinion about the FISEP scorecard?
- Please explain your 2014/2015 targets in each of the FISEPs dimensions.
- Why do you establish those targets?
- Are you confident that you are going to accomplish those targets?
- Are the targets challenging you?
- Could you give examples of your subordinates FISEP targets for 2014/2015?

- How does the FISEP scorecard affect your relationship with your subordinates? Does it help to know your subordinates better or, as there is the possibility of cheating, does it generate mistrust?
- Are your employees overwhelmed by this measures rather than supported to be better? Don't you feel watched in personal and even intimate issues such as family or spiritual aspects?

2) Code of Ethics:

- What are the behaviours that you expect from your subordinates with the code of ethics?
- How much does the code of ethics limit creativity and innovation? Could it be that the code of ethics is an inhibitor of innovation?

3) Assumptions about human nature:

- Do the FISEP scorecard and the code of ethics support Compartamos' beliefs? How?
- You grant loans on your clients' "word", without guarantee or collaterals, but you have a rigid code of ethics and control systems for your employees, wouldn't that be that you trust more your customers than your employees?

Appendix A.3: Interview guideline used in the third stage of the research project

- Tell me about your role in the organisation.
- What are Compartamos' main strategic objectives?
- What are the results that you want to achieve?
- What do you expect from your team (from your subordinates)?
- Do these strategic objectives of the organisation/your-department have anything to do with Compartamos' *Mística*?
- How do you understand Compartamos' *Mística*?
- How does Compartamos influence how employees live according to the *Mística*?
- How does Compartamos help you?
- What else does Compartamos offer to employees? For example, do they offer gym memberships or these types of things...?
- What mechanisms do you use to reinforce the *Mística* within your subordinates and peers? Could you give me some examples?
- How do you know if your subordinates live and work according to Compartamos' *Mística*?
- What mechanisms/tools do you use to gather information about how your subordinates are living/working according to Compartamos' *Mística*?
- Is FISEP a tool to gather information or to reinforce people at Compartamos' to live according to the *Mística*?
- Do you use *Mística* and FISEP in the same way as other managers?
- Is the *Mística* and the way it is monitored/encouraged (e.g. FISEP and the code of Ethics) essential to achieve commercial goals or is it a distraction?
- Do some people need more focus on the commercial targets? Do some need more focus on other type of targets (e.g. personal, intellectual, spiritual, etc.)?
- Which targets are you afraid of doing badly on?

- What are the big events each year where you deal with issues of performance management/measurement/monitoring?
- How do you reinforce the behaviour that you want on a routine basis? Could you give me some examples?
- What types of behavioural/performance issues would you intervene in? When would someone intervene in your behaviour?

Appendix B: Letter to Compartamos' employees to explain the relevance of the *Mística*

Iván Mancillas, one of Compartamos' founders, commented in an interview that the *Mística* was so important for communicating the founders' purpose that, in order to explain the meaning of Compartamos' *Mística* to his employees, on 4 April 2006, he wrote a letter that took its inspiration from the Christian gospel (Corinthians, 13, 1-8):

Even if we had the largest corporation in the world with business units in other countries, without *Mística* we would only be a resounding gong or a clanging cymbal. Even if we had the most efficient, most comprehensive system, even if we had distribution channels and payment networks the length and breadth of the country, even if we had ten million clients, a highly diversified service and product portfolio, and the power to attract all financing and savings on the market, without *Mística*, we would be nothing. Even if we donated more than two percent of our earnings to charities and social responsibility programs, even if we sacrificed all our family time, without *Mística*, it would all be in vain. The *Mística* is passionate, the *Mística* is obliging, the *Mística* doesn't work alone; the *Mística* is neither irresponsible nor superficial; it does not tire or wane, it does not take pleasure in injustice, does not baulk nor bear grudges, but revels in the truth. The *Mística* serves boundlessly, shapes and grows without limits, yields infinite results. The *Mística* transcends and inspires. The work of Compartamos is everlasting (Mancillas, 2013, p.67).

Appendix C: Compartamos' Philosophy

Compartamos' philosophy is based on a clear concept of what the founders believe about human nature: "We believe that everyone is unique and unrepeatable, and has value in him/herself. We respect their dignity, their rights and obligations and put whatever means we have at hand to achieve their own realisation" (Genera, 2013b, p.4). It is also based on a sense of purpose: "We seek to promote the common good, contributing to the development of people at the base of the pyramid. We promote the creation of opportunities in the communities where we work through the efficiency of our work, continuous improvement, our comprehensive development and that of our clients" (Genera, 2013b, p.4).

Compartamos' Mission Statement and Credo are based on these beliefs. The Mission Statement is "to eradicate financial exclusion" (Genera, 2015b, p.14), which means, according to Carlos Danel, "not having access to basic financial products and services that maybe we all take for granted: we all have a place where we can save money, ask for credit, start a business. All those kinds of things that for one segment of the population are very well done, doesn't exist for another segment and that is what causes exclusion." Genera claims that through financial inclusion at the base of the pyramid, the organisation is able to generate three types of value:

1. *Social Value*: With the objective of boosting social development, Compartamos provides financial services to the greatest number of people in as little time as possible.
2. *Economic Value*: A profitable and strong company in which private capital participates is attractive to more people.
3. *Human value*: Trusting people, in their word and their disposition to succeed and develop their abilities, and promoting actions that give clients and employees opportunities to be better people (Genera, 2015b).

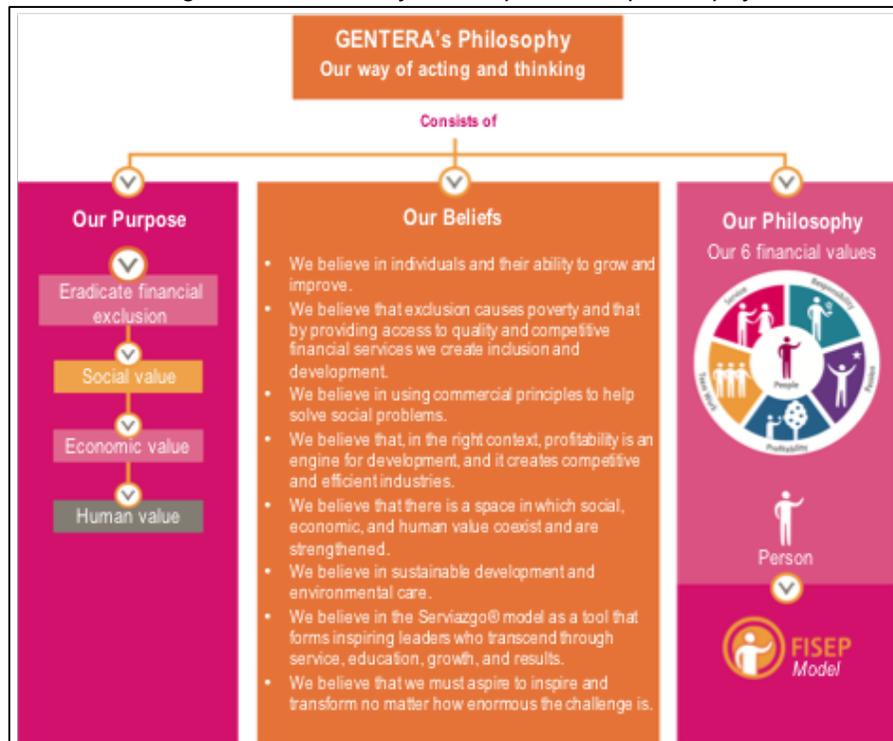
Compartamos' Credo is (Genera, 2015a, p.75):

- We believe in individuals and their capacity to grow and improve
- We believe that exclusion causes poverty and that by providing access to quality and competitive financial services we create inclusion and development
- We believe in using commercial principles to help solve social problems
- We believe that, in an adequate context, profitability is an engine for development and creates competitive and efficient industries
- We believe that there is a space where social, economic and human values co-exist and are strengthened

- We believe in sustainable development and environmental care
- We believe in the *Serviazgo*® model as a tool that forms inspiring leaders who transcend through service, education, growth and results
- We believe that we must aspire to inspire and transform, no matter how enormous the challenge.

Figure C.1 illustrates how Compartamos summarises its philosophy.

Figure C.1: Summary of Compartamos' philosophy



Source: *Compartamos' internal documents*

Appendix D: Attracting Talent and the Recruitment Process

Compartamos staff consider themselves part of a big family that encourages a spirit of fellowship. That is why, when newcomers join the bank, attempts are made to welcome them and make them a part of the organisation. Even before the person joins, the organisation takes various actions to attract the people it needs. When hiring new employees, it considers several criteria beyond the skills required for the job:

- **Compatibility with the philosophy:** To maintain an optimal organisational environment, one criterion that recruiters take into account is candidates' compatibility with the Compartamos philosophy. According to Sancho (2012), compatibility means that candidates are committed to society and are looking to create opportunities to develop poor people at the base of the pyramid. In addition, they should possess moral values that empathise with Compartamos' values, so that they will promote them in their actions and through their example.
- **Seeking transcendence through the job:** It is essential for senior managers at Compartamos to understand that work has a special meaning and that it transcends by impacting on colleagues, clients and the community in general. During recruitment interviews, candidates' interest in impacting on society is verified (Sancho, 2012).

The recruitment process has guidelines for finding the right candidates who satisfy the desired requirements and competencies and fit the profile for vacant positions. The steps considered in the process are:

- Analysis of *curricula vitae* and selection of candidates with the required skills.
- Interview with the recruiters: at this stage, all candidates go through an in-depth interview with the recruiters, who listen to their personal needs and goals with the objective of offering them what they are looking for, as well as making links with the organisation's requirements. The interviewers also go into detail regarding the candidates' habits, family issues, personal context and other points that may help determine whether the institution's needs will also be met.
- Interview with the immediate boss.
- Psychometric and values assessment: after the interviews, candidates complete specific tests evaluating various competencies and values.
- Home interview: in order to double-check the assessment and the candidate's values, the recruiter carries out an additional interview at the candidate's home.

Some managers like to accompany the recruiter on that visit in order to meet the candidate's family before confirming the hire.

- Selection of the candidate according to the results: all candidates must satisfy at least 80 per cent of the skills required by the job description, and must also share Compartamos' values. An interdisciplinary committee analyses the candidates prior to making the final hiring decision. The recruiter, the department manager and certain employees in the service office all participate in this committee.

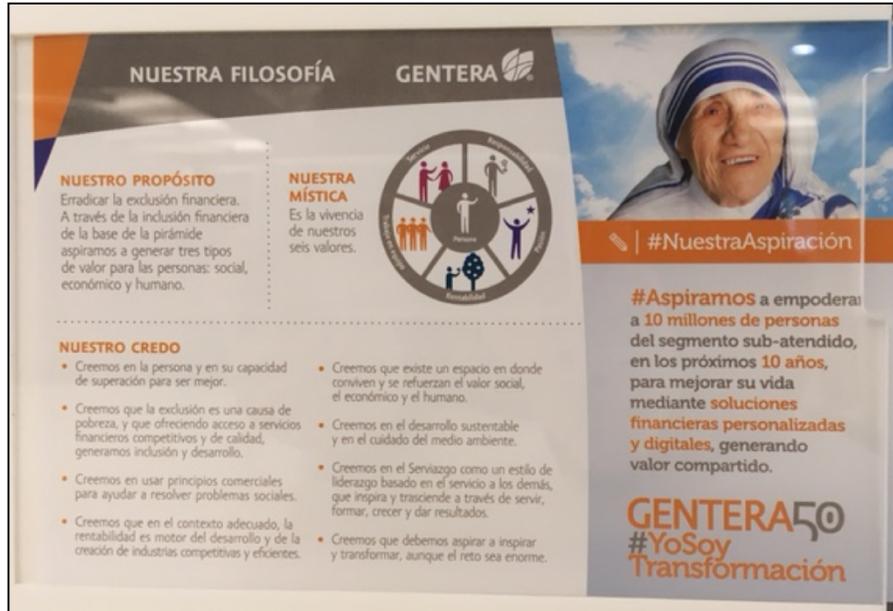
Within the recruitment and selection process, it is important to note that every vacant position is first advertised internally. Thus, the first recruitment source is personnel who are already living the organisation's culture. In addition to internal postings, the recruitment process considers people who are clients of Compartamos, as well as their families, with the intention of offering them an important growth opportunity. According to a manager of the *Personas* Department, "When we hire a child from one of our clients, we create a virtuous circle. Compartamos' *Mística* is taken to her home and we increase the client's loyalty."

Specialist recruiters are trained to identify candidates' values and organisational needs. To keep recruiters up-to-date regarding the particular needs of Compartamos, additional training is arranged every six months.

Appendix E: Compartamos' Philosophy Chart

Figure E.1 shows the philosophy chart fixed on a picture frame, as displayed on every Compartamos desk.

Figure E.1: Illustration of the philosophy chart on a Compartamos desk



Source: Photo taken by the researcher in November 2016

Appendix F: Induction Training Process

Compartamos has an induction process to welcome new employees and begin to integrate them into the institution's philosophy. This is also the beginning of the indoctrination process. The points dealt with during this welcome training are as follows.

- **Presentation of the Code of Ethics:** The Code of Ethics is presented before the employment contract is signed. The candidate must read and sign it in acceptance, thus committing to comply with Compartamos' norms and promote its institutional values. New members must complete a certification process on the Code of Ethics and pass an exam during their first 60 days at Compartamos. Similarly, every Compartamos employee must be re-certified every year. If an employee does not pass the exam, the contract is revoked.
- **Presentation of the Internal Rules and Regulations Manual:** When new employees join Compartamos, regardless of their position, they are presented with the internal Rules and Regulations Manual, along with the Code of Ethics, to ensure that they comply with the policies and norms.
- **Induction Guide:** The induction guide is given out with the Code of Ethics when the newly-hired employee signs the contract. The guide contains information introducing the employee to the Compartamos philosophy and how the organisational climate is maintained.
- **Online Training:** In addition to the face-to-face induction, the employee must undertake several online courses:
 - *Online Induction Course:* Before the face-to-face training and induction, new employees must take an online induction course. This course must be undertaken in conjunction with the induction guide, which complements it and provides a better understanding of the institution.
 - *Certification in Microfinance:* The objective of this course is to create awareness of the institution's business model and promote the creation of social, economic and human value in every action performed by the employee.
 - *Certification in Prevention of Money Laundering:* In compliance with Mexican Law, new employees must be certified to prevent money laundering. Every year, all Compartamos' collaborators must be re-certified.
- **Face-to-Face Induction:** Every employee is given face-to-face training to learn, commit to and fulfil the Compartamos *Mística*.
 - A *Mística* Guardian is responsible for teaching the *Mística* module.

- o Once a new employee understands the *Mística*, training on the technical aspects of the specific position begins.
- o The face-to-face induction lasts two days.

After the face-to-face induction, the immediate boss has the task of presenting new employees to the various teams, especially those with whom they will be in contact. In addition, new hires are introduced at the Integration Meeting, a monthly gathering at the national level in each regional office. A senior manager remarked: “We present new collaborators in the Integration Meetings so that all of those who are already a part of the organisation can meet and welcome them.”

Three months after recruitment, new employees and their immediate bosses must fill out a welcome form, which is passed to the Recruitment Department and attached to the employee’s file. A *Personas* Department manager observed: “We have to ensure that the new employee has not only been trained, but has also been made to feel a part of the Compartamos family.”

Six months after recruitment, all employees must participate in an additional training module where the *Mística* is reinforced. A *Mística* Guardian talks with new hires about how they are living the *Mística*. Then, after one year working at Compartamos, all collaborators must participate in another training module that includes a public explanation of how the new collaborators have experienced the *Mística* in their first year.

Appendix G: Examples of Mística-Related Messages

Figure G.1 shows the wall of a Compartamos branch, which has an image of Mother Teresa of Calcutta with a prayer to smile on one side, and a photo of the teamwork of that branch on the other, emphasizing that they are carrying out “a valuable action for the good of the family”.

Figure G.1: Illustration of the wall of a Compartamos branch



Source: Photo taken by the researcher in October 2016

Figure G.2 shows an internal poster at a Compartamos office emphasizing the values. It is a collage of words and phrases in Spanish, such as Commitment, Charity, Self-Knowledge, Solidarity, Generosity, Giving Results, Ethics, Empathy, Feeling on Purpose, Will, Perseverance, Patience and FISEP.

Figure G.2: Internal poster emphasizing values



Source: Photo taken by the researcher in October 2016

Figure G.3 shows a corkboard at the desk of a Compartamos executive with a flyer on “11 tips to serve better”, a badge saying “I commit to FISEP”, and a pinned announcement that says “You manage our history. It is time to shine. The greatest wealth is to serve with humility.”

Figure G.3: Picture of a corkboard at the desk of a Compartamos executive



Source: Photo taken by the researcher in October 2016

Figure G.4 shows some awards granted to a regional manager for his performance and for five and ten years' service at Compartamos.

Figure G.4: Awards of a regional manager



Source: Photo taken by the researcher in October 2016

Appendix H: Compartamos' Performance Evaluation Form

The following figures describe Compartamos' performance evaluation. Figure H.1 presents the first part of the form, where the immediate supervisor is required to describe the collaborator's goal, performance measure and target, and to state whether the collaborator achieved the goal, and the challenges faced in achieving it.

Figure H.1: Performance Evaluation Form, Part 1

The form is titled "EVALUACIÓN DE DESEMPEÑO" and features the GENTERA logo. It contains the following sections:

- Collaborator Data:** Fields for Nombre del Colaborador, Número de Nómina, Fecha de Ingreso a Gentera, Posición Actual, and Posición Anterior. There are also fields for "DE:" and "A:".
- SECCIÓN 1 HACER LO CORRECTO... ¿Qué resultado? Instrucciones:** A section for defining individual performance objectives in the SMART format (Specific, Measurable, Aligned, Realistic, Opportune).
- Objetivo 1:** A table with columns for "Descripción del Objetivo", "Métrica", and "Peso del objetivo %".
- Descripción de los resultados:** A text area for describing the results of the objective.
- Principales retos:** A text area for listing the main challenges in achieving the objective.

Annotations on the right side of the form identify the following elements:

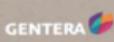
- Datos generales del colaborador:** Points to the top section of the form.
- Objetivos del colaborador: descripción, métrica y peso del objetivo.** Points to the "Objetivo 1" table.
- Descripción del resultado del objetivo.** Points to the "Descripción de los resultados" section.
- Principales retos para cumplir el objetivo.** Points to the "Principales retos" section.

Source: Compartamos internal document

Figure H.2 presents Part 2 of the form, where any additional achievements are listed, and the immediate boss records an evaluation of the "what" on a scale from 5 to 1, where:

- 5 means that the fulfilment of the employee's objectives was outstanding and exceeded requirements. The collaborator made an exceptional and unique contribution. Fifteen per cent of employees receive the highest bonus. A maximum of 15 per cent of the department can achieve this rating.
- 4 means that the employee's performance exceeded expectations. Fifteen per cent of the department are expected to achieve this rating.
- 3 means that the employee's performance was as expected (40% of the department).
- 2 means that performance was below expectations (15% of the department).
- 1 means that performance is far below expectations (15% of the department).

Figure H.2: Performance Evaluation Form, Part 2



SECCIÓN 2
LOGROS ADICIONALES

Instrucciones: En la siguiente sección podrás capturar/compartir aquellos logros adicionales que tuviste durante este año.

Descripción de otros logros no contemplados en los objetivos originales.

Collaborator's other achievements

Evaluación del ¿Qué?

HACER LO CORRECTO...
¿Qué resultado?

5	Una vez analizado el contexto y retos enfrentados, el cumplimiento de los objetivos y los logros del colaborador son superiores en la mayoría de los aspectos de su puesto. Hace una contribución excepcional y única.
4	Una vez analizado el contexto y retos enfrentados, el cumplimiento de los objetivos y los logros van más allá de las expectativas para algunos aspectos de su puesto.
3	Una vez analizado el contexto y retos enfrentados, cumple con la mayoría de los objetivos de su puesto.
2	Una vez analizado el contexto y retos enfrentados, los objetivos del colaborador están por debajo de las expectativas del puesto.
1	Una vez analizado el contexto y retos enfrentados, los objetivos del colaborador están en gran medida por debajo de las expectativas del puesto.

Descripción de la métrica de Evaluación hacer lo correcto.

Evaluación final de hacer lo correcto determinada por el jefe inmediato acordada con el colaborador. Este dato será colocado manualmente.

Evaluation of the "what" on a scale from 5 to 1

EVALUACIÓN FINAL DE:
HACER LO CORRECTO
¿Qué resultado?

Source: Compartamos internal document

Figure H.3 shows the self-assessment section of the form to evaluate the “how”. Employees are required to self-evaluate their performance on the following dimensions: self-knowledge, motivation, ethics and values, support for others, skills, FISEP, sense of purpose, service, training of others, self-development, and results.

Figure H.3: Performance Evaluation Form, Part 3

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SECCIÓN 3
¿DE LA BANDERA CORRECTA?
¿Cómo lo logramos?

Instrucciones: En la siguiente sección vas a hacer una sincera evaluación de tu Desarrollo Integral por medio de los elementos de Servicio, anotando en la columna derecha el número de acuerdo a la escala de autoevaluación.
***Nota:** Esta hoja es una guía de referencia hecha para ayudarte a realizar el proceso de reflexión la cual puede ser autoevaluación con el mismo administrador de tu servicio o elemento.

En desacuerdo / Casi nunca / Parcialmente en desacuerdo / Parcialmente de acuerdo / De acuerdo / Casi siempre / Siempre

Autoevaluación (1-5)

ELEMENTOS DE SERVICIO	Autoevaluación (1-5)
Conocimiento Conoce los elementos y principios básicos. Identifica particularmente sus valores. Tiene dominio de las acciones que lo logran. Conoce sus fortalezas, debilidades, oportunidades o limitaciones.	
Motivación Define claramente lo que hace. Conoce sus motivaciones, intereses y actitudes. Se ve feliz y vive sus motivaciones positivas. Tiene lo que quiere y sus acciones se encaminan a lograr sus objetivos. Busca hacer el bien aunque no sea inmediato.	
Ética y valores Construye el bien de los demás al tomar sus decisiones. Nunca consigue alcanzar metas conforme a sus valores. Respeto cordial y en sus acciones hace bien y mal. Identifica a la (s) persona (s) con la que se acuerda o alcanza sus objetivos. No permite que personas cambien aspectos en situaciones separadas. Respeto la separación que los personas de su Sistema de Servicio le brindan.	
Competencia Las personas que integran su Sistema de Servicio saben que son parte de él. Tiene una idea clara que el aprendizaje incluye: Sus Capacidades y Habilidades con ellas para su Servicio de Propósito. Tiene un compromiso de identificar sus talentos para permitir el servicio de los clientes. Tiene procesos de retroalimentación con honestidad y profundidad.	
Habilidades Participa en los juegos laborales, analiza durante y actividades físicas, culturales de ocio y salud, etc. Busca generar espacios para servir con su familia dentro y fuera de su empresa. Realiza actividades para su fortalecimiento espiritual dentro y fuera de su empresa. Compromiso del Sistema de Servicio, actualización de actitudes, conocimientos, valores, etc.	
Trabajo de equipo Conoce muy bien lo que lo inspira. Tiene un espíritu de colaboración, en los ámbitos en los que se desempeña (cliente, interno, etc.) Se involucra en un trabajo alineado con su Servicio de Propósito.	
Trabajo Ayuda a otros a alcanzar el servicio de sus clientes. Busca constantemente salvaguardar la dignidad de la persona. Muestra interés y preocupación por la vida personal y profesional de otros. Su actitud de máxima disponibilidad al servicio de los demás le permite participar en los momentos de voluntariado dentro y fuera de su empresa.	
Forma Se enfoca a las necesidades de los demás, evitando de cualquier manera el cumplimiento. Muestra el espíritu colaborador de las personas que le rodean. Ayuda y participa en los momentos de integración y formación humana. Busca espacios para servir a que otros identifiquen sus capacidades.	
Trabajo Ayuda a que los demás se olviden los valores al momento de tomar decisiones. Comparte información para fortalecer los valores y de esta modo saber que puede ser lo que él quiere. Busca retroalimentación de los demás para identificar sus capacidades.	
Resultados Tiene una actitud humilde para aprender. Ayuda a los demás a entender y descubrir su Servicio de Propósito. Muestra un espíritu de búsqueda de conocimiento. Lee libros, realiza cursos, participa en actividades de aprendizaje por su propia cuenta. Cumple con su misión y propósito del servicio de los clientes de propósito. Tiene algo por lo que se preocupa, en vez de quejarse y culpar al sistema o a otros. Tiene un plan de acción, respaldado por medidas de las actividades y conocimientos necesarios para conseguirlo, respaldado con los recursos. Se asegura de hacer que los demás sepan, con evidencia y haciendo frente al mal.	

Descripción de la vivencia de los elementos de Servicio

Autoevaluación del colaborador realizada antes de la reunión.

Self-assessment before the meeting with the immediate boss

Source: Compartamos internal document

Figure H.4 presents the section of the form that the immediate boss has to complete after meeting the collaborator. One column shows the collaborator’s self-assessment, and the other column shows the boss’s evaluation of the “how” on a scale from 5 to 1. The form also has a box for the boss to explain the collaborator’s achievements relating to the “how”.

Figure H.4: Performance Evaluation Form, Part 4

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CONTINUACIÓN SECCIÓN 3
...DE LA MANERA CORRECTA
¿Cómo lo lograste?

Instrucciones: de la lista de elementos de Servicio, elige tres de ellos en los que consideras existió mayor mérito en este año y elige dos elementos para desarrollar el siguiente año.

Elemento de mayor mérito	Elemento de Servicio	Elegido para desarrollar
	Autodesarrollo	
	Motivación	
	Ética y Valores	
	Sistema de Soporte	
	Capacidades	
	ESOP	
	Servicio al Propósito	
	Síntesis	
	Formar	
	Crear	
	De resultados	

De los tres elementos de mayor mérito que elegiste, describe ¿Cómo es que cada una de ellas se ve reflejada en tu trabajo cotidiano?

De los dos elementos que elegiste para desarrollar el siguiente año, describe ¿Cuáles serán las acciones concretas que tomarás para desarrollar el elemento?

...DE LA MANERA CORRECTA
¿Cómo lo lograste?

5 Es un colaborador que ha sabido hacer suya la Misión, adaptando para sí las conductas de Servicio, es un líder que inspira con sus acciones y se encuentra plenamente comprometido con la misión de hacer el mayor bien posible.

4 Es un colaborador que está permeado por la Misión. Por lo mismo es un líder con credibilidad y un gran compromiso con la misión.

3 Es un colaborador que ha descubierto el rol fundamental que la Misión tiene en su trabajo y actúa conforme a ella.

2 Es un colaborador que se identifica con algunos de los orígenes de Misión del grupo, pero todavía no se ha dejado permear por completo.

1 Es un colaborador que realiza su trabajo, pero no se ha apropiado de la Misión y por lo mismo no sigue los lineamientos de Servicio, olvidando que la Eficacia y Misión van de la mano.

EVALUACIÓN FINAL DE: DE LA MANERA CORRECTA ¿Cómo lo lograste?

Autoevaluación del colaborador realizada antes de la reunión y acordada con el jefe inmediato.

El colaborador describe los elementos de Servicio de mayor mérito y los que desea desarrollar con su jefe inmediato.

Evaluación final de la manera correcta determinada por el jefe inmediato acordada con el colaborador. Este dato será colocado de forma manual.

Descripción de la métrica de Evaluación de la manera correcta.

Source: Compartamos internal document

The matrix illustrated in Figure 6.1 summarises the final evaluation of the “what” and the “how”.

Finally, Figure H.5 presents the section of the form with the boss's final observations on the collaborator's performance.

Figure H.5: Performance Evaluation Form, Part 6

The image shows a section of a performance evaluation form from GENERA. The form is titled "SECCION 5" and contains instructions for the collaborator and the immediate supervisor to provide comments on performance, areas for improvement, and feedback. There are two text boxes for the supervisor's comments: "Comentarios finales del jefe inmediato" and "Comentarios finales del colaborador". A blue circle highlights the "Comentarios finales del jefe inmediato" box, with an arrow pointing to the text "boss's final observations on his/her collaborator's performance." Below this, there is a pink box containing the text "Comentarios finales del colaborador relacionados a la Evaluación de Desempeño."

Source: Compartamos internal document

Appendix J: Compartamos' Organisational Charts and overview of the carried out interviews

Figure J.1 presents a Compartamos' simplified organisational chart when the research project began in 2012. In order to illustrate the level of the managers interviewed during the research project, interviewees are highlighted in the chart according to the stage when they were interviewed.

Given that some of the interviewed managers were appointed/hired later, and since the structure of Compartamos / Gentera changed several times during the research project, Figure J.2 illustrates all interviewees according to the level they occupy in the organisation. An arrow highlights managers that were interviewed in different stages, for example, the head of HDD was interviewed in stage 2 and 3. Some managers were promoted between the stages of the research project; for instance, the head of Sales & Marketing was interviewed on stage one and then he was promoted to CEO and interviewed with his new position on stage 2. In those cases, the arrow indicates that he/she is the same person even though he/she has a different position in different stages.

Figure J.1: Compartamos' simplified organisational chart in 2012

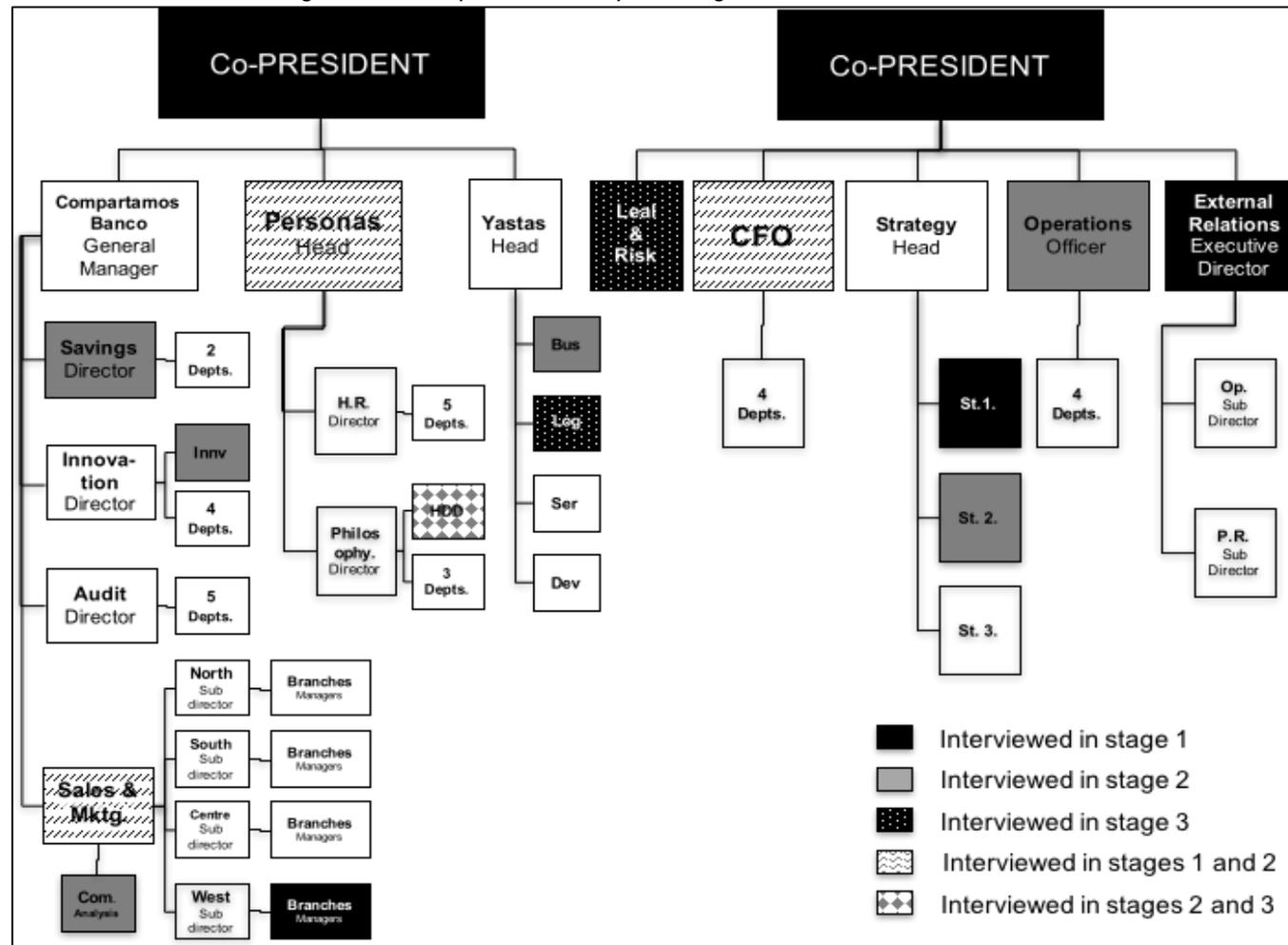
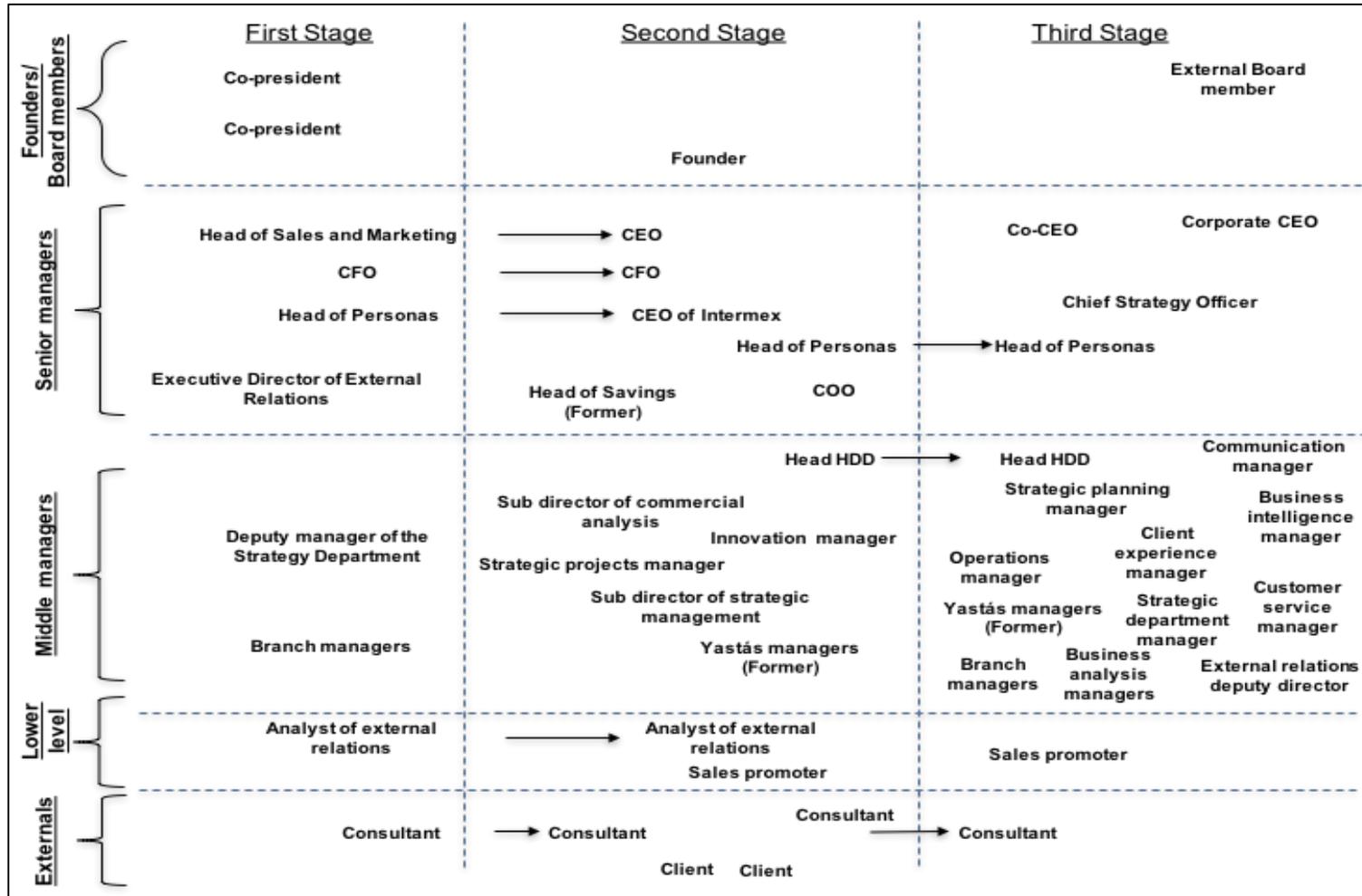


Figure J.2: Overview of the carried out interviews



Source: Source: Researcher

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