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A Tight Leash or a Tight Spot? A Case Study on Tightness of Action Controls in a German Insurance Firm

Barbara E. Weißenberger and Amra Tica

Summary: The objective of this paper is to theoretically expand the understanding of tight management control with respect to action controls. An empirical conceptualization of tight control has so far only been available for budgeting (Van der Stede 2001). Our paper is based on a case study in the German insurance industry with 15 semi-structured interviews. Our results indicate that three of the five characteristics used to describe tight budgets can also be applied to the understanding of tight action controls: a high level of importance attached to achieving objectives, a low tolerance for deviations and intensity of communication (albeit in a broader sense). Furthermore, our results indicate that tight action controls are also perceived positively in terms of task support. The association with dysfunctional behavioral effects is thus more complex than management control literature suggests.

Keywords: Management control systems, object-of-control framework, tightness of control, action controls, insurance industry

Steuerung an der „kurzen Leine"? Beobachtungen bei einem deutschen Versicherungsunternehmen

Zusammenfassung: Ziel des vorliegenden Beitrags ist es, das Verständnis enger Unternehmenssteuerung (tight control) bezogen auf Maßnahmen der Prozesssteuerung (action controls) theoretisch zu erweitern. Eine empirische Konzeptualisierung enger Steuerung liegt bislang nur für die Budgetierung vor (Van der Stede 2001). Der Beitrag stützt sich auf eine Fallstudie in der deutschen Versicherungswirtschaft mit 15 halbstrukturierten Interviews. Es wird gezeigt, dass drei von fünf Merkmalen auch auf das Verständnis einer engen Prozesssteuerung zutreffen: hohe Bedeutung von Zielerreichung, geringe Toleranz für Abweichungen sowie Kommunikationsintensität (allerdings in erweitertem Sinn). Die Ergebnisse deuten zudem darauf hin, dass enge Steuerung auch positiv im Sinne der Aufgabenunterstützung wahrgenommen wird. Der in der Literatur unterstellte Zusammenhang mit dysfunktionalen Verhaltenswirkungen ist deshalb differenziert zu betrachten.

Stichwörter: Unternehmenssteuerung, Controlling, Object-of-Control-Konzept, enge Steuerung, Prozesssteuerung, Versicherungswirtschaft

"People want guidance, not rhetoric. They need to know what the plan of action is and how it will be implemented. They want to be given responsibility to help solve the problem and the authority to act on it."
Howard Schultz, CEO of Starbucks

1. Introduction

In the post-Covid era, 'quiet quitting' has emerged as a prominent and widely discussed trend (Atalay and Dağıstan, 2024). Hence, many firms are shifting their focus to prioritizing employee satisfaction more than ever before. However, it's crucial for firms to also guide their employees' actions towards achieving organizational goals and objectives. This ensures the continuity of the organization and prevents financial losses or reputational damage. This is especially true in highly regulated industries, such as the insurance industry. Employees must perform their tasks efficiently and profitably, while adhering to a broad and varied set of rules and guidelines that restrict their scope of action and often make their work more difficult.

To align organizational goals ('*what is desired*') with employee behavior ('*what is happening'*), firms use management controls to make employees accountable for what they do. Merchant and Van der Stede's (2023) seminal object-of-control framework groups management controls into results controls, action controls, and people (i.e., personnel and cultural) controls. Most firms use a broad array of different control instrument configurations (Bedford and Malmi, 2015; Demartini and Otley, 2020), which can either be only very loosely (management control package) or highly integrated (management control system).

Research has shown that management controls significantly influence employee engagement and job satisfaction (Crawford and Nonis, 1996; Carbonell and Rodriguez-Escudero, 2013). The implementation of these controls is also relevant. Increasing tightness of control leads on the one hand to greater congruence between employee behavior and organizational goals. However, implementation and oversight of tight controls impose on the other hand a significant cost on organizations. Merchant (1985) warns that excessively tight controls can lead to negative consequences, including negative attitudes and dysfunctional employee behavior, such as quiet quitting. Therefore, setting controls to the appropriate level of tightness – or more figuratively tightening the leash – is of vital importance for organizational success.

However, there is still only a comparatively small body of literature that theoretically conceptualizes control system tightness or empirically examines the impact of tight management control. The major paper in this field is Van der Stede's (2001) seminal study on measuring tight budgetary control using a multidimensional construct describing close monitoring of budget adherence.

Our research objective in this paper is to extend the small body of research on control system tightness by looking at this issue from a new angle. We do this from a conceptual perspective, using Van der Stede's (2001) ideas as a starting point for our research question: Are the attributes Van der Stede (2001) uses to measure budgetary controls' tightness still relevant and also apply to other types of management controls, namely action controls?

We restrict our research to action controls for several reasons. First, action controls, along with results controls (of which budgetary controls are a subset), are denoted as formal controls (Göbel and Weißenberger, 2016), contrasting with people controls that are seen as rather informal control instruments. Second, the impact of tight action control is heavily discussed in related scientific disciplines, e.g., organizational sociology, in the context of bureaucratization. For example, Adler and Borys (1996) distinguish between enabling and coercive types of workflow formalization, stressing its "*Janus-faced*" character (p. 62) from employee perspective, an angle that is typically neglected in the management control literature.

To shed more light on the phenomenon of (action) control tightness, we conducted a case study at a German insurance company. In the financial service industry, tightness of control is assumed to be very high due to the massive and comprehensive regulatory environment and the continuous monitoring of financial services supervisory authorities. If an insurance firm is not able to ensure regulatory compliance of its business processes, it may easily lose its legal license to operate. Specifically, we developed a questionnaire and conducted 15 semi-structured interviews with employees of the insurer. The interviews were transcribed and analyzed using a thematic analysis. We chose a qualitative research approach consisting of a hybrid process of deductive coding and inductive coding, where emerging themes were identified from the interviews.

Our study contributes to the discussion on control tightness in two ways: First, we are able to gain additional understanding which attributes of tight budgetary controls also apply to action controls which expands the theory of control system tightness as presented by Van der Stede (2001). Second, we offer insights into employee perspectives on tight management controls which is less negatively than usually purported in literature (Hartmann et al., 2020, p. 236; Merchant and Van der Stede 2023, p. 131).

Our paper is organized as follows: The second section briefly reviews existing literature on control tightness and its current definition. Section 3 describes the research method and how we analyzed the data from this case study. Section 4 gives a brief summary of the case study. Section 5 directly addresses the research question and analyzes the interviews we conducted to apply Van der Stede's (2001) definition to action controls. Section 6 provides a concluding discussion.

2. Literature Review

Many scholars implicitly or explicitly point out the importance of considering the level of tightness of controls when implementing management controls. Flamholtz (1996, p. 597), for example, cautions that "*(…) control systems must be designed with care in order to achieve the optimal degree of control; one which is neither too loose (which may lead to chaos), or too tight (which may lead to stifling bureaucracy)*".

Given the significance of control tightness for practitioners and as a determinant for the effectiveness of management controls either combined or in an isolated fashion, it is surprising that the literature focusing on this issue is still so scarce. An overview by Bedford and Speklé (2018) on areas of research within the field of management control shows only two articles on the topic of tight control (Chow et al., 1996; Bedford and Malmi, 2015). More research focuses on tight budgetary control (Van der Stede, 2001; Johansson and Siverbo, 2014; and Ylinen and Gullkvist, 2014), target tightness (Chow et al., 1999; Shields et al., 2000) and tight vs. loose culture (Chow et al., 2002; Baird et al., 2004). In these papers, control tightness is overall conceptualized with respect to close supervision of activities and results, stressing mainly the coercive dimension of tightness (e.g., Baird et al., 2004, p. 397).

As a result of this lack of research, the definition of tightness of control has not evolved much over time. The Cambridge online dictionary[1] defines the term tightness in general as uncomfortable, firmness, closeness or a lack of something, as well as in relation to specific terms like performance, bends, races and rules. Tightness of controls and rules is defined as "*the quality of severely limiting what can happen*". Given these explanations of the term, tightness of controls leaves the reader with a rather negative connotation.

In the early management control literature dating back to the 1980s, Kenneth A. Merchant (1985) was the first to address the issue of tightness, using this definition also in his famous textbook on management control systems together with Wim Van der Stede (2023) since its first edition in 2003. Merchant and Van der Stede (2023, p. 118) subsequently define tightness in the following way: "*The benefit of any management control system (MCS) is derived from the increase in the likelihood that the organizational objectives will be achieved relative to what could be expected if the MCS were not in place. This benefit can be described in terms of MCS tightness (or looseness). Tighter MCS should provide greater assurance that employees will act in the organization's best interest*". Therefore, they not only describe tightness as the main success factor for the efficacy of management control in the sense of '*getting things done*', but also in emotionally neutral terms.

Nevertheless, they concede that a loosening of controls is sensible in cases where "*an inappropriate use of controls causes harmful side effects, such as operating delays or employee frustration and demotivation. These side effects cause many to have negative feelings when they hear the mere mention of tight control.*" (Merchant and Van der Stede, 2023, p.131). In a similar notion, Hartmann et al. (2020, p. 266) associate tight (budgetary) control with "*a higher amount of gaming…on the part of the lower-level managers*". Bedford and Malmi (2015, p. 7) do not offer an explicit definition of tightness aside from "*individual accountability for meeting pre-established performance-targets*", and Chow et al. (1996, p. 177) allude to "*the number of different controls used and their stringency*" when referring to tightness of management controls. This understanding is clearly in line with behavioral self-determination theory which assumes that intrinsic motivation results, amongst others, from basic psychological needs for competence and autonomy (Deci and Ryan, 1980). Both needs conflict with tight control.

Based on Anthony and Govindarajan's (1998, pp. 436–437) assertion that tight results control primarily stems from a focus on continuously meeting budgetary targets, Van der Stede (2001, p. 121) derives five micro-attributes related to tight budgetary control:

1. Emphasis on meeting the budget should be high,
2. allowance for budget revisions during the year should be low,
3. amount of budgetary control detail should be high,
4. tolerance for interim budget deviations should be low, and
5. intensity of budget-related communication should be high

To confirm this theoretical conceptualization, Van der Stede surveyed 153 managers. He finds that, with the exception of the second micro-attribute (allowance for budget

1 https://dictionary.cambridge.org/de/worterbuch/englisch/tightness (access December 20, 2024).

revisions), all attributes load sufficiently on a macro-construct which is then denoted as budgetary tightness. Nevertheless, Van der Stede (2001, p. 120) concludes, "*In sum, the concept of tight control is not exactly a clear picture in terms of its definition, its scope, and its operationalization*" and calls for further research in this field.

Subsequently, Johansson and Siverbo (2014) build on his scale, finding that budgetary tightness increases in the public sector with growing turbulence. However, the results of Becker et al. (2016) contradict this, as they find that in times of economic crises, budgetary control for performance management becomes less important.

Göbel and Weißenberger (2016) analyze tight financial controls as an antecedent for dysfunctional management behavior, using a slightly modified version of Van der Stede's (2001) scale. They find that tightness of financial results controls leads to increased levels of gaming and manipulation which is mitigated if controllers increasingly act as business partners instead of information providers and also if an increased emphasis is put on informal (people) controls.

Conboy (2010) uses Van der Stede's (2001) conceptualization of tight budgetary controls, when he analyzes a case study on mass project failure in information system development, but he cannot establish a relation between tight budgeting and degree of project failure. Ylinen and Gullkvist (2014) also use Van der Stede's (2001) scale to measure "*mechanistic control*" (p. 108) in project management. They find that increased levels of such mechanistic (or tight) control leads to less innovativeness compared to "*organic control*" (p. 108), but to increased project performance. Most interestingly, organic control in the sense of Ylinen and Gullkvist (2014) also represents the idea of tightness as it refers to intensive supervision of project teams via face-to-face-meetings and other types of informal communication.

The results of Conboy (2010) as well as Ylinen and Gullkvist (2014) are consistent with a more differentiated organization theory perspective (Adler and Borys, 1996; Kesting, 2023). On the one hand, formalization of controls, which increases tightness from a management control perspective, can be associated with decreased flexibility. This is because it restricts employees' autonomy and can lead to organizational inertia during times of turbulence, when dynamic capabilities are essential (Hannan and Freeman, 1984). However, recent literature reveals a counterintuitive finding: formalization and tightness of controls may also foster flexibility and change (Kesting, 2023). Feldman and Pentland (2003), for instance, demonstrate how tightness provides structure, creating meaning and sense in a performative manner. This, in turn, offers stability and a protected area for adaptation. As the popular saying in Germany goes, formal rules may be gallows as well as signposts.

3. Research Method

Van der Stede's (2001) study, which defined and measured tight budgetary controls, was conducted as a survey study. We chose not to follow the same path. Instead, we used a qualitative research design for two main reasons. First, empirically re-testing Van der Stede's (2001) construct would not offer any additional insight into verifying and broadening the definition of tightness of controls. Second, to gain more insight into the social phenomenon of tightness of (action) control, what attitudes employees develop about it, and what other factors contribute positively or negatively to tightness, a survey does not offer sufficient flexibility and openness. Qualitative research leaves room for serendipitous new discoveries (Akerström, 2013).

Our qualitative research approach consists in a case study that presents "*an empirical inquiry that investigates a contemporary phenomenon (the 'case') in depth and within its real-world context, especially when the boundaries between the phenomenon and context may not be clearly evident*" (Yin, 2018, p. 14). As Baxter and Jack (2008) point out, case studies offer the opportunity to gather a better and deeper understanding through "*the exploration through a variety of lenses in order to reveal multiple facets of the phenomenon*" (Rashid et al., 2019, p. 2). Eisenhardt (1989, p. 532) emphasizes that case study research is "*highly iterative and tightly linked to data*", making it a very useful tool especially for (re-)conceptualizing theory.

Given that the dearth of research and our current understanding of tightness of controls is limited, we chose to take a deep and holistic view of a single case as a starting point for further scientific discussion and research. Furthermore, we believe it is important to place this research in a setting that most likely results in a high tightness of controls to gather a better fundamental understanding. As Mishra (2021, par. 9) points out: "*One is studying a critical case wherein the case chosen is critical for the theoretical proposition*." Therefore, the we select the German insurance industry as such a critical case. This industry is subject to a high degree of formal regulation as well as strong informal pressure, e.g., from customer protection organizations.

To address the most common criticism of case study research—the generalizability of the findings beyond the studied case—we chose a commonplace setting for the study within this critical industry. As Yin (2018, p. 51) notes, focusing on a common case allows us to "*capture the circumstances and conditions of an everyday situation*" and provides broader insights into phenomena. We set this study at a medium to large insurance company in this market, in our view a fruitful setting for a single-case case study that offers valuable insights into tightness of control beyond the studied case.

This case study was conducted as a part of a larger case study, using semi-structured, problem-centered interviews (Ruslin et al., 2022). As Atkinson and Silverman (1997, p. 304) point out: "*For survey researchers, the interview can be a reliable instrument giving valid data on facts and attitudes*." Therefore, interviews with employees of an insurer offer the opportunity to pierce the veil and gather an understanding of how employees perceive an environment with high tightness of control and which factors influence their perceptions and experiences and in what ways.

Designing our study, we followed the Misoch's (2019) recommendations and developed a questionnaire to structure the interviews and achieve comparability. We then analyzed the transcripts using the hybrid approach of inductive and deductive coding and theme development, as described by Fereday and Muir-Cochrane (2006). This is a sub-method of thematic analysis, which is a qualitative method "*for identifying, analyzing, and reporting patterns (themes) within data. It minimally organizes and describes your data set in (rich) detail. However, it also often goes further than this, and interprets various aspects of the research topic (Boyatzis, 1998).*" (Braun and Clarke, 2006, p. 78). Fereday and Muir-Cochrane (2006, pp. 82–83) describe their method as "*a hybrid approach of qualitative methods of thematic analysis*" incorporating "*both the data-driven inductive approach of Boyatzis (1998) and the deductive a priori template of codes approach outlined by Crabtree and Miller (1999)*".

Our method thus combines the methods of deductive coding, i.e., starts with a theoretical framework to test theory, complementing it with inductive coding, i.e., developing and broadening our understanding of the studied phenomena by identifying and addressing new categories and themes and hence offering the opportunity to develop theory. This offers a strong interplay between a priori theoretical propositions for theory testing and a posteriori findings in the field for theory development. We used the software MAXQDA (v.22) and went through repeated rounds of coding, within-interview coding as well as cross-interview coding to ensure intra-coder reliability of the coding system.

4. Case Summary

The insurer in this study is a German firm with < 50,000 employees worldwide. It offers all types of insurance (health, property and casualty, life) and employs a large sales force of tied agents. It is subject to the industry's highly regulated environment which covers legal and financial supervision, product and price regulation, and also market behavior oversight. For example, Solvency II, the European supervisory system, imposes strict requirements on capital adequacy, risk management, and corporate governance to ensure the stability and transparency of insurers. Furthermore, insurance products and premiums must comply with legal provisions, such as, e.g., the Insurance Contract Act (Versicherungsvertragsgesetz, VVG) or regulations prohibiting gender-based premium differentiation. Market behavior is regulated through competition laws, extensive information obligations to policyholders, cooperation rules with brokers, and quality standards for complaint management. Additional regulations include insolvency protection systems for life, health, and motor vehicle liability insurance, as well as stringent data protection laws. Finally, in most developed countries, insurers are also strictly monitored by special regulatory authorities. In Germany, this is the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) which is also responsible for licensing any insurance business, as well as the European Insurance and Occupational Pensions Authority (Europäische Aufsichtsbehörde für das Versicherungswesen).

In addition to formal regulations and like other insurance firms, the observed firm is also subject to high informal pressure from customers via consumer protection organizations. For example, many private customers find it difficult to navigate the insurance market as there is typically a large number of different products, i.e., types of insurance for a given insurance problem. These products are often difficult to distinguish or to be adequately tailored to a customer's specific needs. Also, many customers do not have a clear overview of their risks and what they need to be insured for. Furthermore, insurance firms use many technical terms with their products that private customers oftentimes find difficult to understand. Professional insurance brokers can offer guidance, but conflicts of interest arise because they are often reimbursed by insurers through premium refunds rather than by fees paid by the insured. Tica and Weißenberger (2022, p. 58) describe such problems referring to the fraudulent insurance broker Mehmet Göker (the "*Wolf of Kassel*") who caused a severe reputational scandal in German health insurance in 2013.

As a result, insurance firms face a large set of restrictions when designing products and processes within their business model to achieve organizational goals, like, e.g., profitability or increases in market share. Management controls therefore have to be effective in a twofold and challenging way. On the one hand, they must ensure efficiency in achieving these goals. On the other hand, they must comply with regulations and meet the informal customer demands for ‘*honorable merchant*’ behavior.

All interviews at the insurer we used for our case study took place between November 2021 and March 2022. Interviewees were informed that they were participating in a scientific study, but only received a broad description of the direction of this study, as being on management control (which was broadly described as “*all measures a company can undertake to align employee behavior with company goals*”) so as not to generate any bias. On average, interviews lasted around 1.5 hours each, with the shortest lasting 38 minutes and the longest 2 hours and 53 minutes. In sum, these 15 interviews resulted in 240 pages of transcripts.

Interviewee	Gender	Function	Management Position
#1	female	Central functions	No
#2	female	Operations	Yes
#3	female	Central functions	Yes
#4	male	Underwriting	Yes
#5	male	Underwriting	Yes
#6	male	Underwriting	Yes
#7	male	Operations	Yes
#8	male	Central functions	Yes
#9	female	Central functions	Yes
#10	female	Operations	Yes
#11	female	Central functions	No
#12	male	Underwriting	Yes
#13	female	Underwriting	Yes
#14	male	Central functions	No
#15	male	Operations	Yes

Figure 1: Overview of Interviewees

Figure 1 indicates the diversity of the interviewees in various respects. Interviewees represent a broad cross-section of central functions, underwriting departments, and operations departments (e.g., claims) of the insurer, and each interviewee works in a different department. Two of fifteen participants came from departments that are involved in designing and overseeing the insurer’s controls (interviewee #3 and #8). 12 of the 15 interviewees hold some form of management position (ranging from entry-level management positions to high-ranking positions). This means they must on the one hand comply with the company's management controls, but on the other hand can also influence how these controls are applied in their departments.

5. Case analysis

Whereas results controls allow employees to decide on an appropriate course of action to achieve desired results, action controls relate to performing (or refraining from) a given type of action. In this vein, Merchant and Van der Stede (2023) differentiate between four basic types of action controls: behavioral constraints, preaction reviews, action accountability, and redundancy.

Behavioral constraints

Merchant and Van der Stede (2023, p. 73) state that behavioral constraints are "*a "negative" or, as the word suggests, a "constraining" form of action control. They make it impossible, or at least more difficult, for employees to do things that they should not do. The constraints can be applied physically or administratively*". In our case study, most interviewees stated that their jobs were governed by behavioral constraints in the form of different scopes of authority, e.g., for making decisions or releasing payments, and the importance of these constraints.

For example, one interviewee from the claims department explained: "*Of course, with claims [handling], you have people who can spend their employer's money very directly*." (#2, Pos. 67–68). This underscores the necessity of constraining how much employees can pay out per claim, ensuring the insurer does not incur excessive costs. Likewise, in underwriting, setting limits on how much employees can underwrite is crucial, as one interviewee explained: *"So the underwriters have certain levels [of underwriting authority]. There's the junior underwriter, then the experienced underwriter, and the senior underwriter. And they are limited in the volume they can underwrite*." (#4, Pos. 70), which limits the risks the insurer takes. In some cases, behavioral constraints at insurance companies are also defined by law. One interviewee of a central function pointed out: "*My position is defined by law. And the function that I perform is clearly specified, that I have to have that information and nobody else*." (#8, Pos. 146). Hence, behavioral constraints at insurance companies play a significant role, because they not only prevent the company from economic harm, which could be caused by paying out too much or underwriting undesirable risks, but are also in part legal requirements.

In the observed insurance firm, interviewees perceived the overall tightness of behavioral constraints to be very high. They stressed that the constraints did not allow any room for undesirable behaviors, not least because all constraints were implemented in the IT systems used to operate the relevant processes and thus could not be bypassed. They further emphasized that behavioral constraints had been significantly tightened over the past decade, making unofficial channels, i.e., shortcuts or '*useful illegality*'[2], completely ineffective. Interviewees also reported that adherence to behavioral constraints was always a focus of audits, and failing to comply with them most probably leads to severe consequences and labor sanctions which added to the feeling of tightness.

Interviewees placed a **high level of emphasis and importance on adhering to behavioral constraints** which corresponds to Van der Stede's (2001) first attribute of '*emphasis on meeting the goal*'. This was demonstrated on the one hand by the implementation of most

2 '*Useful illegality*' or '*brauchbare Illegalität'* is a phrase that has been coined following the German sociologist Niklas Luhmann who wrote "*We want to call behavior that violates formal expectations illegal. Such behavior can nevertheless be useful*." (Luhmann, 1964, p. 304, translation by authors).

behavioral constraints as fool-proof '*Poka-yokes*'[3] which resulted in a minimal degree of perceived freedom. Conversely, the interviews highlighted the prominent role of behavioral constraints in internal and external audits, underscoring their significance. While behavioral constraints were seen as reducing freedom, many interviewees described them rather as tight-loose controls, i.e., offering a framework with boundaries for employee actions, while also allowing for flexibility within these limits: "*In my opinion, they give us very, very broad freedom to make decisions. Because in underwriting, it was confirmed to me on several occasions that,* ***by and large****, we get by with the authorities and that the threshold values are set correctly. So the employees can do exactly what I said at the beginning, work autonomously and also use their competence very, very well.*" (#5, Pos. 70).

The high emphasis on adhering to behavioral constraints was further underlined by interviewees' understanding of why the insurer had implemented these constraints. Interviewees explained that these constraints were put in place to ensure compliance with legal requirements and avoid negative consequences for the company. Interviewees acknowledged the advantages of adhering to these behavioral constraints, citing their role in providing direction to employees, ensuring the quality of service, and instilling a sense of security, thus addressing '*lack of direction*' as control problem (Merchant and Van der Stede, 2023, p. 10).

Interestingly, the **degree of commitment** to these behavioral constraints was perceived as low. Most interviewees described being able to adjust them from time to time to either reward employees for their good work or to update them to current circumstances. They also wanted to ensure that employees have a sufficient amount of decision-making authority to handle their day-to-day business. This aligns with Van der Stede's (2001) findings, which indicate that a high degree of commitment, i.e., minimal or no allowance for budget revisions during the year, is not associated with perceived tightness of budgetary results controls.

In our case study, most behavioral constraints were regarding decision-making authorities and authorities to pay out money on behalf of the insurer. Therefore, interviewees gave accounts of a **high amount of detail** regarding behavioral constraints: "*It's actually an Excel spreadsheet that we then have to pass on to the accounting department, which is signed by the by the department manager and me. The exact level [of authority] is stated there.*" (#10, Pos. 100). This finding aligns with Van der Stede's (2001) identified tightness micro-attribute of a high amount of detail.

Also, in line with Van der Stede (2001), interviewees described a **low tolerance for deviations** from behavioral constraints, as many behavioral constraints had been implemented due to past negative experiences the company had encountered, or to ensure compliance with legal requirements. Another key reason interviewees cited were potential ramifications for themselves: Despite limited personal exposure, most interviewees anticipated severe labor sanctions, including disciplinary measures, warnings, written warnings, no-tice, or termination in the case of violation of such behavioral constraints.

Furthermore, interviewees described a low **intensity of communication** regarding behavioral constraints. Typically, these were viewed as a standard aspect of employment,

3 Poka-yoke is an expression used in Japanese quality management to describe a forcing mechanism that prevents an operating person to make mistakes by drawing attention to mistakes or correcting them.

discussed only if employees expressed dissatisfaction with their scope of authority or if existing scopes were subject to changes. Interviewees did not see a need for high-intensity communication and stressed that transparency of behavioral constraints was more important. Van der Stede's (2001) micro-attribute of a high intensity of communication therefore cannot be used to describe the tightness of behavioral constraints. Instead, the results indicate that communication rather serves as an enabling mechanism, as stated by Adler and Borys (1996), Conban (2010), and Ylinen and Gullkvist (2010).

In contrast to the negative **perception of control tightness** purported in literature, ten of the interviewees stated that they were happy or very content with their behavioral constraints, demonstrating a rather positive assessment. They found the extent of these constraints to be sufficient for their day-to-day tasks, and reported that they could often directly or indirectly influence them. Most interestingly, interviewees saw behavioral constraints as a form of reward. They described this change as a motivating factor and perceived it as a signal of respect and trust from the company towards the employee, especially when receiving greater authority. This is a natural result of strict behavioral constraints, as any expansion of these constraints or increase in decision-making authority must be earned by doing a good job.

Preaction reviews

Interviewees in this case study described preaction reviews as very tight. They stressed the need for preaction reviews to comply with legal regulations. They demonstrated a strong commitment to preaction reviews, seeing them as a way to justify their actions and avoid legal consequences. One interviewee explained: "*You can't do without it. So that's fine for me. I don't feel restricted by it. It gives me a sense of security, because I then get confirmation that I have understood it the right way. And that is then also a good feeling, if one [does] this and all I's are dotted and all T's are crossed and everything is right.*" (#1, Pos. 164).

Furthermore, interviewees assessed preaction reviews positively and associated them with many benefits to the company and themselves, only criticizing the high effort required for preaction reviews and their documentation. Still, they would not infringe on preaction reviews by engaging in undesirable behaviors.

Interviewees explained that preaction reviews were implemented as an additional layer combination to behavioral constraints, thus reflecting the idea of integrating management controls into a system (Demartini and Otley, 2020). If, for example, a claim exceeded the authority of a claim handler, they would handle and decide on the claim but would not pay it out. Instead, they conducted a preaction review, recommending how to proceed with the claim to a person with sufficient, higher level of authority. This person would then review the claim and its handling (i.e., the task fulfillment) and decide on the appropriate course of action. All but one interviewee had to adhere to preaction reviews in their functions.

Negative views were usually voiced when preaction reviews were conducted outside the interviewee's own department. One Interviewee stated: "*I sometimes feel that when you try to coordinate things* ***between different departments****, it can lead to problems. Because one department says: Goodness, no. I'm not responsible for that, I have nothing to do with it. But you want someone to at least review it. And if there's no interest in doing that, you hit a wall. Because they say: That's not covered in our operating* *procedures. Goodbye.*" (#7, Pos. 148). Only when conducted within the interviewee's own department, preaction reviews were viewed favorably. Interviewees explained that they found such preaction reviews to be transparent, plausible, and understood that they were implemented by the company to comply with legal requirements, to increase quality and tp avoid negative fallouts for company and employees alike. Nevertheless, interviewees emphasized how much time and effort preaction reviews took, especially regarding the need to document them.

Using Van der Stede's (2001) attributes, four of the five attributes were therefore applicable to preaction reviews. Similar to behavioral constraints, (5) high intensity of communication did not apply to preaction reviews, because interviewees described them as transparent and showed themselves to be committed to them, emphasizing a lack of need for regular communication. (1) Emphasis on meeting the goal was demonstrated by all interviewees, not least due to strict instructions to document these preaction reviews in detail (and the focus on this topic in audits). While (2) a strong commitment was not found in Van der Stede's (2001) study, it was applicable in the case of preaction reviews. (3) High level of detail was also observable by means of clear instructions as to what cases had to be reviewed by whom, and a high focus on detailed documentation. (4) The same holds for low tolerance for deviations, as all interviewees expected severe sanctions in case they did not adhere to agreed-upon preaction reviews.

Action accountability

In the observed firm, action accountability was implemented in the form of procedural protocols, work manuals, handbooks or guidelines. Each department developed these mandatory documents, which detailed all procedures step-by-step with clear descriptions of who does what and how.

First, all procedures at the insurer were documented in an online-based tool which provided a visual representation of process flows, as well as in-depth information on each step of the procedure. This step-by-step information clearly prescribed who does what, the tools and protocols used, the risks and risk control measures for each step, the decisions that needed to be made, and the escalation procedures applied. Each department documented all relevant procedures in manuals or handbooks. Manuals were written as continuous texts that allowed departments to include all exceptions to rules and step-by-step click guides for certain IT tools.

Interviewees associated action accountability generally with a high level of tightness, noting that the documentation of working guidelines was mandatory for all departments and that the form and degree of detail of each type of documentation was clearly specified for the whole company. The online tool had a mandatory design including who, what, when, where or how and it specified that all procedures had to be documented with a level of detail that would clearly describe the process for an external insurance expert (e.g., auditors from the Federal Financial Supervisory Authority in Germany).

Handbooks had to be even more detailed, allowing a layperson without previous knowledge (e.g., an intern or a new employee) to use them as step-by-step guides. The insurer's strict regulations regarding the adherence to these documents and the emphasis during audits increased the tightness of action accountabilities. On the other hand, interviewees pointed out that these manuals and instructions were highly valued throughout the firm as guidelines and quality control measures.

This led to the interesting observation that many departments had introduced even more, or more detailed guidelines than strictly necessary, as a form of self-induced control. One interviewee explained: "*The motivation was simply that people themselves **wanted** to work in the same way, because that also makes work easier for you. If I know I'm looking for a particular piece of information and I know where I'll find it, it's easier than having to search in four different places. Yes, that has ensured that everyone has got involved [in the development of manuals] in the first place*." (#7, Pos. 74).

As a result, Van der Stede's (2001) conceptualization of tight budgetary controls regarding action accountability criteria were met with respect to the same three of five micro-attributes as behavioral constraints. (1) Emphasis on meeting the goal was very high and the mandatory nature of work instructions etc. has been described above. In the same description, interviewees disclosed (3) the high level of detail these working procedures had to meet (see above). (4) Deviations from these procedures and their documentation were not even considered as they would be met with severe sanctions for employees.

However, as Van der Stede's (2001) original study and behavioral constraints (described above) clearly indicate, (2) a low allowance for revisions of work manuals was not reported. On the contrary, interviewees stressed that it was mandatory to keep guidelines and handbooks up to date and incorporate legal changes or new company guidelines and targets. Furthermore, interviewees did not associate action accountability with (5) a high intensity of communication, as it only took place when changes occurred. Finally, action accountability was perceived favorably due to a high level of influence that interviewees exerted and also to the associated transparency. This aligns with the notion in organizational theory that tight control not necessarily means organizational inertia but rather can serve as a catalyst for change (Feldman and Pentland, 2003; Kesting, 2023).

Redundancy

In our case study, we did not observe any redundancies that were implemented as action controls. As one interviewee described: "*We don't have time for that, and it would be too expensive and too time-consuming*." (#1, Pos. 176–178). Another interviewee pointed out the redundant nature of monitoring functions at the company: "*So if you look at it at the department level or division level or whatever level, there are of course different designs [of controls]. Some [departments] are operational, others monitor. As a result, there is automatically a redundancy in the way an issue is dealt with. That is also the normal standard, at least for the sector where I come from. It is simply an original task of the monitoring function*." (#8, Pos. 182).

Still, there is the possibility that redundancies might be implemented in departments that were not included in this study (e.g., IT, maintenance, etc.).

6. Conclusion

Our study set out to gain a more profound understanding of tightness of control in real-life settings, broadening our understanding and current definition of tightness of controls. Using a case study in the German insurance industry, we conducted 15 semi-structured problem-centered interviews with employees of this insurer, who represented a broad cross-section of the company. Interviewees in our case study described prevailing action controls to be very tight, which proved this setting to be valuable for extending the theoretical conceptualization of tight control towards action controls taking the form of behavioral constraints, preaction reviews or action accountability.

With behavioral constraints, for example, the attributes of degree of commitment and intensity of communication from Van der Stede's (2001) scale were not applicable. However, interviewees reported that the tightness of controls was very high, and many fool-proof Poka-yoke controls in place. The degree of commitment was intentionally low to give departments the freedom to react to current issues, and communication was perceived as a non-issue, because behavioral constraints were only discussed when problems arose. Otherwise, they were accepted as rules of the game. The same holds for action accountability. In contrast, a high degree of commitment was only associated with tight control regarding preaction reviews. Most interestingly, the tightness of action controls was perceived rather positively, which supports the assertion in organizational theory that formal structures enable members to replicate successful processes and adapt.

Obviously, our study is subject to limitations, particularly the generalizability of our results. Our case is set in an extreme environment, as the German insurance industry is a regulatory challenging environment requiring strict compliance so as not to lose the legal license to operate. This was confirmed by the interviewees, who identified legal requirements as the main driver of tight controls. We acknowledge these limitations and believe that future research should test the attributes in other settings.

Our paper contributes to the body of literature on tightness of controls and is also useful for practitioners. Management control systems are vital to companies in achieving their objectives, be they economic, environmental, social, or other. Setting the right level of tightness is critical for management control efficacy. However, our case study found that a high level of control does not necessarily lead to dissatisfied employees. In some contexts, tight controls can actually motivate and reward employees. In other cases, tight controls are viewed positively if employees understand the reasoning behind them, recognize their positive effects, and develop a sense of self-commitment. In other words, even if organizations find themselves in a tight spot and must implement tight management controls, they not necessarily put their employees on a tight leash.

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Barbara E. Weißenberger, Univ.-Prof. Dr., holds the Chair of Management Control and Accounting, at the Faculty of Business Administration and Economics at Heinrich Heine University Düsseldorf.

Address: Universitätsstraße 1 - 24.31, 40225 Düsseldorf, Germany (address for correspondence), e-mail: controlling@hhu.de

Amra Tica, Dr., was an external doctoral candidate at the same chair from 2019 to 2024.