A CONCEPTUAL FRAMEWORK FOR EXPLORING MANAGEMENT CONTROL STYLE WITHIN PSYCHOLOGICAL EMPOWERMENT

PETRUS MAASALO, HENRI TEITTINEN

Abstract:

This article explores the effect of management control style in terms of structural empowerment and visionary leadership on psychological empowerment. Despite the inseparable nature of leadership and management control systems, the field of accounting has largely ignored the study of leadership. We address this gap by drawing on the literature on management control systems and leadership.

We propose a framework for analyzing how management control style in terms of structural empowerment and visionary leadership affects psychological empowerment. We draw on theories of leadership, management control systems, psychological empowerment, and competitive strategy. We argue that leadership style is embedded in management control systems and that the degree of visionary leadership and degree of control are key dimensions determining the effect of management control style on psychological empowerment and alignment with strategy.

This paper proposes a novel perspective for approaching management control systems from the perspective of their effect on psychological empowerment and alignment with strategy. This paper proposes a framework for analyzing the effect of management control style on psychological empowerment. Such analysis makes it possible to assess the effect of management control style on psychological empowerment and thus on organizational performance, as well as alignment with strategy.

Keywords:

management control style, management control system, leadership, psychological empowerment, strategy

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1. Introduction

Management control has been defined in many ways (see, e.g., Chenhall, 2003; Otley and Berry, 1980; Merchant and Van der Stede, 2007; Ouchi 1979; Simons, 1995), but typically it includes the exercise of power (influence) to secure sufficient resources and to mobilize and orchestrate individual and collective actions toward (more or less) given ends (see, e.g., Alvesson and Kärreman, 2004). Scholars have developed different frameworks, but the trend has been toward comprehensive frameworks (e.g., Ferreira and Otley, 2009; Malmi and Brown, 2008; Tessier and Otley, 2012).

Strategic choice affects the design and use of a management control system (MCS) (e.g., Bedford *et al.*, 2016; Kald *et al.*, 2000; Tucker *et al.*, 2009). In addition, leadership style strongly affects an MCS, and it could be that firms adapt their MCS to match their leadership style (Speklé, *et al.*, 2017). As a strategy, MCS, and leadership are interrelated, and it has been argued that they should be aligned (Juliana *et al.*, 2021). The most comprehensive MCS frameworks support this approach, with strategy and leadership style being included in MCS frameworks (e.g., Pfister *et al.*, 2022).

As the purpose of an MCS (including leadership style) is to encourage employees to achieve organizational goals, it is crucial to consider an MCS's impact on employees and thereby on organizational performance. Psychological empowerment (PE) is an extensively researched construct related to motivation and performance. PE is found to be a mediating factor for different factors impacting positively on employees, such as work engagement (Arefin *et al.*, 2019; Nguyen, 2020), task performance (Ambad *et al.*, 2021), and individual performance (Mahmoud *et al.*, 2021). PE has also been claimed to be a precondition for innovative behavior (Pieterse *et al.*, 2010) and as one of the most profitable resources in the workplace (Kim *et al.*, 2018). In addition, it has been identified as a mediating factor between MCS and employee behavior (Matsuo *et al.*, 2021) and between leadership style and employee behavior (Kim *et al.*, 2018).

Despite the existing research on how leadership style and MCS affect PE, an approach joining leadership research to MCS research and its effect on PE and strategic alignment is still missing. The accounting literature has largely neglected the insights that leadership research has found on the impact of different leadership styles on PE. This might lead to a situation whereby employee perception is not sufficiently considered in research and in practical implementations of an MCS, at least explicitly, and consequently the efficiency of the MCS may not be optimal. In other words, a holistic approach that simultaneously considers the effects on employees and alignment with strategy has been missing in the literature. We address this gap by adopting the perspective that leadership style is in fact embedded in MCS and mediated by different elements of MCS. We approach MCS from the perspective of management control style in terms of structural empowerment and visionary leadership. We present a theoretical framework that could be used for empirical studies but also by managers to consciously analyze the impact of management control style on PE, as well as its alignment with strategy.

This paper is structured as follows. In this section, we have introduced the field of our research topic. In section 2 we examine the intersection of MCS and leadership theory. In section 3, we discuss structural and psychological empowerment and how these constructs are interrelated. In section 4, we provide an overview of how the design and use of an MCS and different

leadership styles affects PE. In section 5, we discuss how a competitive strategy and the paradox of control are related. In section 6, we provide our theoretical framework, analyzing features of MCS and its effect on PE. Finally, in section 7 we conclude and suggest some future research avenues.

2. The intersection of management control system and leadership style

Despite the inseparable nature of leadership and management control (Efferin and Hartono, 2015), accounting literature has focused on management and has largely neglected research on leadership (Bassani *et al.*, 2021). Previous literature has identified a connection between leadership style and MCS, and some prior studies have tried to close the gap between leadership and management control (e.g., Kleine and Weißenberger, 2014). In this section, we will discuss how general leadership theory, leadership research in accounting, and MCS are interrelated.

Traditionally, autocratic, and democratic styles have been seen as opposites in terms of empowering subordinates (e.g., Dyczkowska and Dyczkowski, 2018). Tannenbaum and Schmidt (1973) present a continuum of leadership behaviors in 1958, in which "boss-centered leadership" (authoritarian) is at one end and "subordinate-centered leadership" (democratic) is at the other. Anderson and Sun (2017) conclude that the dominant distinction in leadership styles is between transactional and transformational leadership styles.

The transformational leadership style appears to include the democratic leadership style, but transformational leadership is distinct from the democratic style. Hilton *et al.* (2021) present the following four features of transformational leadership that have appeared in the literature: (1) idealized influence, (2) inspirational motivation, (3) intellectual stimulation, and (4) individualized consideration. The construct of transformational leadership was originally developed by Bass (1985) to capture a leadership style that can result in "higher order improvement." In this construct, a transformational leader uses charisma, individualized consideration, and intellectual stimulation to inspire employees, charisma being indicative of a true leader affecting the emotional side of followers (Bass, 1985). As charisma is at the center of transformational leadership, it has been asked whether the transformational leadership style a distinct style from charismatic leadership is (e.g., Anderson and Sun, 2017). Bass (1985) also notes that transactional leadership has several shortcomings related to feedback and rewarding employees.

Yukl (2012) approaches leadership through leadership behaviors and presents a hierarchical taxonomy of leadership behaviors. The taxonomy consists of four meta-categories (task, relations, change, and external) and includes fifteen leadership behaviors. According to a meta-analytical study by Borgmann *et al.* (2016) three meta-categories (relations, task, and change-oriented leadership) are sufficient to explain the leadership constructs of transformational and transactional leadership, laissez-faire, consideration, and initiating structure. The accounting literature has tried to close the gap between leadership and management control given that they are inseparable. Studies have found that leadership style affects the design and use of MCS (e.g., Nguyen *et al.,* 2017; Abernethy *et al.,* 2010; Kleine and Weißenberger, 2014), but also that MCS, accounting information in particular, has been found to facilitate particular leadership style (Jansen, 2011).

Leadership influences MCS. For example, the transformational leadership style is associated with comprehensive performance management systems and the use of non-financial and future-oriented information (Nguyen, 2017). In addition, a considerate (people-oriented) leadership style is associated with the interactive use of planning and control systems (Abernethy *et al.*, 2010). Moreover, Kleine and Weißenberger (2014) find that informal control elements, such as personnel and cultural controls, act as mediators for leadership behaviors. However, studies have also found that MCS can affect leadership style by, for example, providing transparent information for leadership behaviors (Jansen, 2011).

To sum up, the key distinction between different leadership styles is related to the degree of decision-making authority, that is, structural empowerment. This distinction was first embedded in the distinction between authoritarian and democratic styles and later in the distinction between transactional and transformational styles. Transformational style also includes influential and inspirational elements, which require communication of a vision. Furthermore, there is a significant overlap between MCS and leadership, and the manifestation of the leadership styles can be viewed through the MCS framework. We will discuss this in more detail in section 6.

3. Structural and psychological empowerment

Empowerment can be defined as a multidimensional construct that supports management control and performance (see, e.g., Conger and Kanungo, 1988; Hall, 2008), and can be categorized into structural empowerment and PE. The former is related to the degree of decision-making authority, whereas the latter relates to motivational processes.

PE is crucial for the company to be positioned competitively because it can result in various favorable effects on employees (see Ambad *et al.*, 2021; Amor *et al.*, 2021; Arefin *et al.*, 2019; Mahmoud *et al.*, 2021; Nguyen, 2020). PE could be one of the most profitable personal resources in the workplace (Kim *et al.*, 2018). PE has also been identified as a precondition for innovative behavior (Pieterse *et al., 2*010). In this section, we will review the constructs of empowerment and PE and how these are interrelated.

The concept of structural empowerment refers to the act of empowering others through the granting of power or decision-making authority; it is related to the extent to which employees are subject to centralization and formalization (Lewis *et al., 2*019). As such, structural empowerment is embedded in MCS frameworks, whereas PE, as a motivational construct, is more an outcome of management control practices. Conger and Kanungo (1988) propose that the concept of empowerment should be defined in terms of motivational processes. They argue that empowerment means "to enable" rather than simply to delegate. They define empowerment as follows: "a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficient information" (Conger and Kanungo, 1988, p.474). Thomas and Velthouse (1990) further develop the concept of empowerment on the basis of the work of Conger and Kanungo (1988), presenting a cognitive model of empowerment in which empowerment is a cognitive process involving an individual's interpretive style and environmental events. These are processed, leading to empowerment.

According to Spreitzer (1995), self-esteem and locus of control are two personality-related factors affecting PE, with access to information and rewards comprising workplace-related factors. Zimmerman (1995) argues that PE is formed as a result of perceived control, competence, and efficacy, and an understanding of community and related sociopolitical issues, as well as the behavior of an individual. Common to all models is that PE consists of the interpretation of external factors and objective external factors and that PE is a motivational construct.

The concept of PE refers to a set of psychological states that individuals need to experience to feel a sense of control over their work (Spreitzer, 1995, 1996; Spreitzer *et al.*, 1999; Zimmerman, 1995; Zimmerman *et al.*, 1992; Fuller *et al.*, 1999; Pieterse *et al.*, 2010). It has been defined as a construct including the following cognitions: competence, meaning, self-determination, and impact (see, e.g., Spreitzer, 1995). Competence is an individual's belief in their capability to perform activities with skill. Meaning is conceptualized as a value of work and purpose, judged in relation to an individual's ideals or standards. Self-determination is an individual's sense of having a choice in initiating and regulating activities, while impact is the degree to which an individual can influence strategic, administrative, or competing outcomes at work (Spreitzer, 1995).

In addition to a substantial body of evidence on PE's positive effect on employees, a study by Spreitzer *et al.* (1999) found that supervisors with a high level of PE were seen by their subordinates as more innovative, upward influencing, and inspirational. Although PE is also dependent on an individual's interpretation of external events, leaders can affect employees' PE in many ways, such as by leadership (e.g., Schermuly *et al.*, 2022) or by using an MCS (Marginsson *et al.*, 2014), which will be discussed in the next section. In this paper, we focus on two key leadership behaviors that significantly affect PE: visionary and empowering leadership behaviors.

Although empowerment in general is associated with PE, it does not necessarily lead to it. In fact, high structural empowerment can occur simultaneously with low PE (Lewis *et al.*, 2019). According to Lewis *et al.* (2019), role ambiguity caused by a conflict between a formal and an informal MCS operating concurrently can lead to a low level of experienced empowerment despite high levels of structural empowerment.

4. The effect of management control system and leadership style on psychological empowerment

PE has been regarded as a mediating factor between MCS and employee behavior (e.g., Matsuo *et al., 2*021), as well as between leadership style and employee behavior (Kim *et al., 2*018). In this section, we will discuss how PE can be affected by the design and use of an MCS, and by different leadership styles.

First, MCS affects PE. For example, the perception of an MCS as enabling is associated with PE (Beuren *et al.*, 2020). According to Beuren *et al.* (2020) to be perceived as enabling, an MCS needs to provide information and knowledge to managers and clarify their roles within the scope of the goals of the organization to enhance empowerment. One systematic literature review found that enabling control enhances the perception of meaningful work (Burghardt and Möller, 2022), which in turn, has been found to positively affect PE (Jena *et al.*, 2019).

Marginson *et al.* (2014) argue that both diagnostic and interactive uses of MCSs (Simons, 1995) support empowerment; diagnostic control supports empowerment because managers are empowered (and controlled) through the outputs, goals, and targets, while interactive control supports empowerment as a result of knowledge sharing. When an MCS was perceived as enabling, especially transparent, any temporary coercion was not found to cause dysfunctional behavior or resistance (Janka, 2021). Janka (2021) also argues, on the basis of his meta-synthesis, that the interactive use of personnel/cultural controls plays a critical role within an MCS in balancing tension between coercion and enabling formalization. Chen *et al.* (2020) found that diagnostic use alone was negatively associated with autonomic motivation. Instead, interactive and diagnostic uses together were positively associated with autonomic motivation. Marginson *et al.* (2014) found that interactive use of management control is positively associated with PE. A study by Shahzad *et al.* (2018) found that an organic organization structure, which is also included in MCS frameworks (e.g., Pfister *et al.*, 2022) is associated with PE.

Second, according to the literature, leadership style influences PE. A meta-analysis by Schermuly *et al.* (2022) consisting of 83 papers on leadership style and PE tested whether empowering, transformational, servant and transactional leadership styles are associated with PE. Their study found that empowering, transformational, and servant leadership styles are associated with PE. Each of these leadership styles has unique features, but all of them have elements of empowering employees and developing employees at the core. However, it is worth noting that this is not entirely unambiguous; in particular, cultural differences in terms of power distance can have a significant effect. In a study conducted in China, where power distance is high, the transactional style had a stronger influence on PE than the transformational style (Ma and Jiang, 2018). In addition, another study conducted in Malaysia, where power distance is high, found no difference between transformational and transactional leadership styles in the influence on PE (Ambad *et al.*, 2021). Previous studies have shown that there is a connection between leadership style and MCS; it could be that firms adapt their MCS to match leadership style (Speklé *et al.*, 2017). It is also argued that leadership style, strategy, and management accounting system should be aligned (Juliana *et al.*, 2021).

Even though empowerment has been found to enhance PE, it is also argued that without a vision, empowerment can lead to negative outcomes. Empowerment without a vision can lead followers to use their autonomy for activities that are not aligned with the goals of the organization; vision is needed as a guiding star to ensure that leaders and followers move in the same direction (Maran *et al.,* 2021). A study by Humborstad *et al.* (2014) found that empowerment needs to be implemented at high levels to be effective, with clear clarifications of leaders' and subordinates' roles. Visionary leadership is a crucial component that enables the successful implementation of empowerment. "Communication of the vision is what empowers people to act" (Taylor *et al.,* 2014, p.567).

In addition, according to a study by Borgmann *et al.* (2016), out of three meta-categories, relations-oriented leadership behavior accounted most for commitment and job performance. This finding supports the evidence that empowerment is related to PE, as empowerment is a leadership behavior under the meta-category of relations-oriented behaviors. Meanwhile, change-oriented behavior, which also includes articulating an inspiring vision, has been found to be most effective in predicting job satisfaction.

These findings confirm visionary and empowering behavior as two complementary critical leadership behaviors explaining the impact of management control practices on PE. Both leadership behaviors have recognized benefits but, as argued earlier, behaviors should support each other. The study by Maran *et al.* (2021) found that communication of a vision enables employees to locate the meaning of their work within the bigger picture and empowering leadership promotes PE (e.g., Maran *et al.,* 2021; Schermuly *et al.,* 2022), presumably due to increased self-determination.

Wong *et al.* (2018) argue that whether a follower experiences a leadership style as empowering or as laissez-faire depends on the actual expectations a follower has. They conclude that if followers' expectations are over- or underfilled, they may interpret empowerment as a leader's passivity (i.e., laissez-faire), resulting in a lower evaluation of leader effectiveness. The authors suggest that leaders should pay attention to followers' expectations of empowerment.

5. The balance between empowerment and control: the paradox of control

As reviewed in the previous section, structural empowerment and interactive use of controls are associated with PE. However, depending on the efficiency and innovativeness requirements of competitive strategy, management needs to balance empowerment and control. For example, the implementation of an efficiency-based strategy may demand tight controls to ensure efficiency, which in turn, do not support PE. This tension between management control and empowerment can be characterized as a paradox (see, e.g., Lewis *et al.,* 2019; Smith and Lewis, 2011). Both control and autonomy have their benefits. Tight controls are associated with strategies based on cost efficiency (e.g., Bedford *et al.,* 2016). Falk and Kosveld (2006) argue that control can provide quicker payoffs and is more certain and easier to achieve. Empowerment and autonomy have well-recognized benefits, can be crucial for competitive positioning (e.g., Kim *et al.,* 2018), and is associated with PE (e.g., Schermuly *et al.,* 2022). In this section, we will discuss how competitive strategy affects the balance between empowerment and control through the MCS use and design.

Competitive strategy is a well-researched area in the design and use of MCS. Previous studies have shown that competitive strategy affects MCS use, particularly the tightness of controls (Kald *et al.,* 2000) but also the use of interactive or diagnostic MCSs (e.g., Bedford *et al.,* 2016). Tucker *et al.* (2009) conducted a review of 21 empirical studies and concluded that the relationship between MCS and strategy is as follows: the design of MCS is influenced by a company's strategic orientation, and there is a correlation between certain strategic orientations and MCS designs that leads to improved performance. The impact of MCS on strategy formulation and implementation varies depending on the design and usage of MCS. Research has found that cost leadership and efficiency strategies are associated with mechanistic and structural controls, which are used diagnostically, and differentiation and innovation strategies are associated with organic structural controls used interactively (Bedford *et al.,* 2016). However, consistent with the study by Tucker *et al.* (2009), Bedford *et al.* (2016) found that strategy does not fully determine the design of an MCS; rather, it provides a reference for a suitable MCS design. In light of previous findings, they conclude that firms prioritizing efficiency and conformance (i.e. defenders) had a better control outcome with diagnostic controls, whereas firms emphasizing innovation and flexibility (i.e. prospectors) benefited more from interactive controls.

Juliana *et al.* (2021) study the effects on performance of the alignment of business strategy, leadership style, organizational culture, and management accounting systems. Using responses from 259 managers from manufacturing companies, they find that misalignment of business strategy, leadership style, organization culture, and management accounting systems are negatively associated with financial and non-financial performance. They conclude that cost leadership companies should search for transactional leaders and emphasize a narrower cost-focused MCS, whereas product differentiators should search for transformational leaders and should also emphasize non-financial measures.

As previous studies indicate that tight diagnostic controls are used in cost leadership strategies to ensure cost efficiency, similarly, it has been proposed that uncertainty related to differentiation strategy is the reason for using looser controls (see, e.g., Kald *et al.*, 2000). In addition, it has been found that when a strategy changes, control systems are used interactively to help facilitate the change (Kober and Paul, 2007). According to Kald *et al.* (2000) and Sun and Pan (2011), differentiation strategy is linked to greater uncertainty and a greater requirement of employee commitment. The differentiation strategy requires higher employee involvement. Thus, the differentiation strategy is best supported by using enabling and interactive controls since they are associated with, for example, motivation, engagement, and creativity (e.g., Chen *et al.*, 2020; Speklé *et al.*, 2017). Differentiation has also been linked to a flexible work system, extensive training, and high employee involvement (Bae and Lawler, 2000), meaning that the MCS needs to support employee involvement. Sun and Pan (2011) state that the implementation of a differentiation strategy requires the support of leadership practices and commitment to employees. Furthermore, it has been found that innovative companies gain the biggest benefits from adopting decision-making and financial participation practices in the form of organizational commitment (Park, 2015).

To sum up, different competitive strategies call for different emphases between empowerment and control. Empowering leadership styles, which are built on both upward and downward organization, are essential for perceived PE. In addition, the interactive use of management controls is related to employee engagement and motivation. PE, in turn, is positively associated with employee performance. On the other hand, implementing an efficiency-based strategy might require management control practices that conflict with PE. This leads us to conclude that different strategies are best supported by different combinations of empowerment vs. control, and the effect of PE should be carefully considered. We will present our framework in the next section.

6. Conceptual framework

In this paper, we have reviewed the prior literature on MCS frameworks, general leadership research, leadership research in accounting, PE, and the paradox of control. First, after reviewing management control frameworks, we concluded that although the research on leadership and MCS are distinct fields, there is a significant overlap between the two, and most leadership behaviors that distinguish different leadership styles can be placed within MCS frameworks. Second, after reviewing constructs of empowerment and PE, we summarized the literature on how different leadership styles, as well as MCS design and use, affect PE. Finally, we discussed the requirements that different competitive strategies place on management control and thus on PE. In this section, we tie theories together and propose our framework for

analyzing features of MCS by adopting the perspective that leadership style is in fact embedded in MCS.

Our framework is based on the fundamental dimensions which we define as key features of MCS. On the x-axis is a continuum of control vs. structural empowerment, and on the y-axis is the continuum of the degree of visionary leadership. The framework is based on three assumptions. First, as the degree of structural empowerment grows (control decreases), PE increases. Second, as the degree of visionary leadership increases, PE increases. Third, the growth of structural empowerment and visionary leadership have synergistic effects, and PE grows the most when values on both axes grow simultaneously.

Control vs. structural empowerment (x-axis). At the right end of the x-axis is a high level of structural empowerment. Structural empowerment refers to the power of decision-making authority and relates to the extent to which employees are subject to centralization and formalization (see Lewis and Sutton, 2018). The relation between control and empowerment can be conceptualized as an "organizing paradox" (Smith and Lewis, 2011, p.383). According to Smith and Lewis (2011, p.386) a paradox is characterized by "[c]ontradictory yet interrelated elements (dualities) that exist simultaneously and persist over time"; thus, the paradoxical tension between control and empowerment is ever-present. In our framework, PE increases as the extent of structural empowerment increases; an empowering leadership style is associated with PE (Schermuly, 2022), and studies have found that structural empowerment can act as an antecedent of PE (Amor *et al.*, 2021; Arefin *et al.*, 2019; Ngueyn, 2020). *Visionary leadership (y-axis).* Visionary leadership is defined as "the verbal communication of an image of a future for a collective with the intention to persuade others to contribute to the realization of that future" (Van Knippenberg and Stam, 2014, p.243). In contrast to goals, vision is typically defined more in qualitative than in quantitative terms and is typically more distant in time or ongoing (Van Knippenberg and Stam, 2014). In our framework, the increase in visionary leadership increases PE. This assumption is based primarily on studies that have found transformational leadership to be associated with PE (Schermuly *et al.*, 2022). It should be noted that even though communication of a vision is an integral part of transformational leadership (Van Knippenberg and Stam, 2014), transformational leadership includes also other elements. Communication of the vision enables employees to locate the meaning of their work within the bigger picture of the vision (Maran *et al.*, 2021). This is also supported by the finding that an MCS that clarifies roles within the scope of the organization's goals is seen as enabling, which in turn increases PE (Beuren, 2020).

Synergy between axes. In addition to both axes being associated with PE independently, we assume in our model that the axes have a synergistic effect in relation to PE. PE grows fastest when the values on both axes grow simultaneously. This is based on the following relationships mentioned in the literature. According to Kearney *et al.* (2019), empowering and visionary leadership styles have synergistic effects in terms of goal clarity. Goal clarity, in turn, is associated with PE (e.g., Jong and Faerman, 2021; Taylor, 2013). It has also been argued that, without a vision, empowerment can even lead to negative consequences (Maran *et al.*, 2021; Taylor *et al.*, 2014).

Figure 1: Effect of visionary leadership and the degree of perceived empowerment on PE
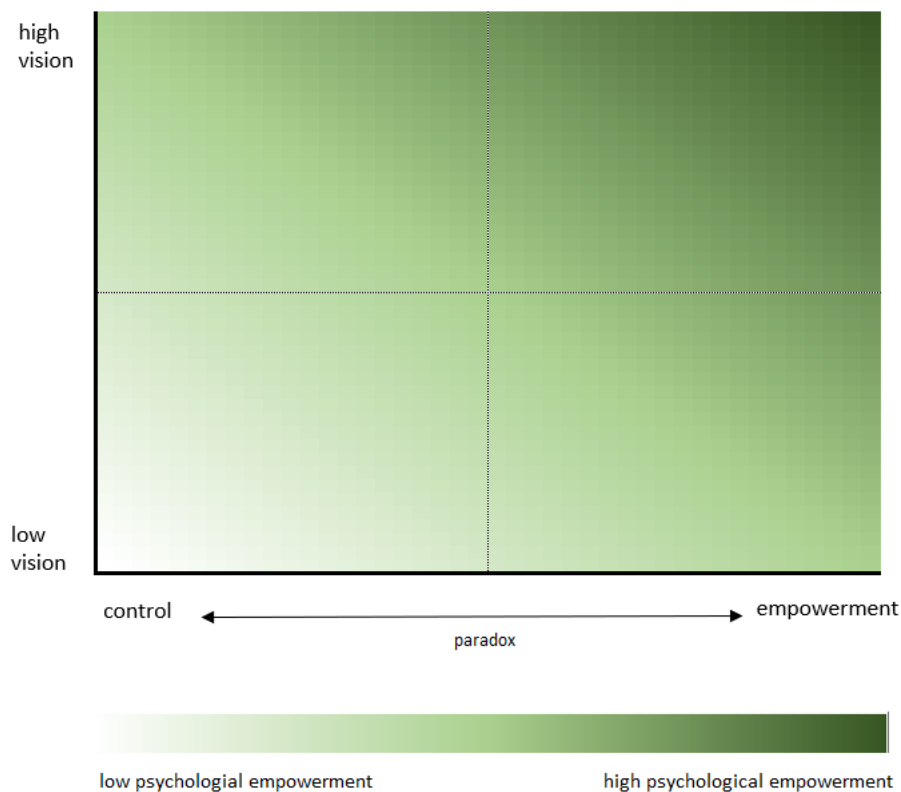
Source: Framework by authors

Our framework is based on two continua and two variables and can take numerous values, the characteristics of the different combinations can be described at a rough level by dividing the framework into four fields.

Low vision/high control. In this field, a low level of visionary practices and a low level of empowerment lead to a low level of PE. On the other hand, the level of control is high. This management control style could be used in situations where the need for cost control is high, or temporarily in the case of a financial crisis. The decreasing effect of high control on PE can be reduced by masking technical controls through the use of unobtrusive controls (see Lewis *et al., 2*019). In addition, the interactive use of personnel/cultural controls could help to balance coercion (due to tight controls) and empowerment (Janka, 2021).

Low vision/high empowerment. If the visionary level is low at the same time as high empowerment, control is not achieved through tight controls or visionary management control practices. However, empowerment leads to higher PE. In this field, control is the lowest. Empowerment without a vision can lead to negative effects, however. Followers may, for example, believe that they have been left leaderless and without direction (e.g., Taylor *et al.,* 2014). Regardless of the choice of competitive strategy, this field should be avoided.

High control/high vision. A high level of visionary leadership behaviors fosters performance (Taylor *et al.,* 2013). However, a high level of control lowers the level of PE since self-determination is one of the four key cognitive factors that affect PE (Spreitzer, 1995). The

negative effect of control on PE can be mitigated by using unobtrusive controls, such as social controls, resulting in simultaneous control and empowerment.

High empowerment/high vision. This field is optimal for PE. Perceived communicated vision and granted autonomy (empowerment) improve employees' goal achievement (Maran *et al.*, 2021); most importantly, visionary and empowering leadership styles are synergistic and can help management with the paradox of control (Kearney *et al., 2*019). As it has been argued that PE is a precondition of innovative behavior (Pieterse *et al., 2*010), this approach is particularly suitable for innovation and/or differentiation strategies.

We propose that management control style can be defined by analyzing the different types of control within an MCS in terms of visionary and empowering behaviors. Below are examples of possible indicative questions for determining the management control style in terms of structural empowerment and visionary leadership, using the control typology from Malmi and Brown (2008).

Table 1: Indicative questions for determining management control style through visionariness and empowerment of the MCS

Type of Control	Degree of visionariness of the MCS	Degree of empowerment of the MCS
Cultural Control	Is the future state of the company manifested explicitly in values or symbols?	Does organizational culture support making initiatives and decisions at every level of the organization?
Planning	Are long-term visions clearly defined and communicated throughout the organization? What is the time frame of long-range and action planning?	To what extent are middle managers and employees engaged in long-range and action planning?
Cybernetic	Are budgets and long-term financial plans aligned with the strategy to achieve the vision? Are non-financial leading indicators regarding vision in use?	Budgeting process, top-down vs. bottom-up? How tight are budget targets?
Reward and Compensation	Timeframe of the compensation? Is compensation tied to leading indicators derived from the vision and/or long-term goals?	To what extent are lower-level managers authorized to make decisions regarding bonuses, etc.?
Administrative Controls	Does information regarding vision, plans, and performance flow freely within the organization?	To what extent is decision-making authority delegated to lower levels in the organization?

Source: Indicative questions by authors based on the structure of the Malmi and Brown (2008) framework

7. Conclusion

In this paper, we have reviewed the literature on intersections of MCS, leadership style, strategy, and PE. We conclude that leadership style is embedded in MCS and thus that leadership theory can be applied to MCSs. Drawing on the literature, we proposed that approaching MCSs from the perspective of their choice in terms of structural empowerment and visionary leadership enables the systematic analysis of an MCS's effect on employees. The choice of a competitive strategy puts demands on MCS choice, which may conflict with activities that support PE. PE, in turn, is an important concept, the significant positive impacts of which on employees are strongly supported by several studies.

We conclude that the degree of control (vs. degree of structural empowerment) and the degree of realization of visionary leadership are key dimensions of management control style affecting PE. Both dimensions affect PE individually, but on the basis of the literature, we assume in our framework that they also have synergistic effects.

Future research could continue with empirical studies to increase understanding of management control style in terms of structural empowerment and visionary leadership. If management control style and its effects on PE remain neglected, both in research and practical implementation of MCSs, there is a significant risk that MCSs will not reach their full potential. Fruitful avenues for future research would be to study how different management control practices affects PE in empirical studies. In addition, it would be interesting to study how different competitive strategies are reflected in management control style. Another interesting avenue would be to study how the management control style in terms of structural empowerment and visionary leadership differs between different industries. Finally, case studies focusing on how different elements of MCS contribute to management control style, how different elements of MCS are aligned, and how these are perceived by employees would give insights into the formation of MCS in practice.

Our framework yields benefit for practitioners, making it possible to incorporate the assessment of management control style, its effect on PE, and its alignment with strategy into the management process. Our framework helps to do this by making the effect of management control style on PE explicit, which in turn helps to make the choice of management control practices and thus management control style a more deliberate choice. With the help of our framework, MCS can be better balanced between the innovation ability required by the strategy and the control required for the implementation of the strategy. As the strategic focus changes, so the management control style should also be re-evaluated. In addition, management control style in terms of structural empowerment and visionary leadership should be analyzed separately within different levels and parts of an organization. The evaluation of management control style should also be conducted regularly because maintaining the balance between empowerment and control is an ever-present issue.

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