

How do management control systems change with  
different ownership in a Tanzanian start-up?  
- a case study

**Marthe Svartangen**

**Supervisor**

Pontus Engström

*This master's thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.*

## **DECLARATION**

I declare that this paper is a product of my own work and has never been previously submitted. All citations and external sources are referenced and cited as best as possible to acknowledge and give credit to the work of the authors and researches cited and referenced in this paper.

## **ACKNOWLEDGEMENTS**

This master thesis is conducted as an ending of the Master of Science in Economics and Business Administration by the School of Business and Law at the University of Agder, with a major in Economic Management. The master thesis is a required part of the program and account for 30 credits.

First and most important, I would like to thank my supervisor, PhD Research Fellow Pontus Engström. My master thesis would not have been the same without his insightful guidance and research suggestions. I am grateful for all valuable help and support, and also for motivating me to do write about this theme.

I would also like to thank Fredrik Alfredsson, Leif Carlzon and Shabbir Adamali for taking their time to attend for my interviews and all of their valuable information and knowledge. Lastly I want to thank my friends and family for all their support during the conduction of this thesis.

Kristiansand, May 25<sup>th</sup> 2016.

Marthe Svartangen

## **ABSTRACT**

This Master Thesis is about an ongoing high risk expansion in a company located in Tanzania. The study is a qualitative and exploratory study where I have conducted several interviews with central people regarding to the company. The interviews were with owners, management, board members and employees and provided a sensible amount of data for the study. The theoretical framework for this thesis is based upon management control systems, incentive systems, theories and possible future changes.

The things that I have found on behalf of this study indicates the need for an appropriate management control system and the need for the company to create a new strategy that can influence the future and also the employees.

# TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>2</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>3</b>
<b>ABSTRACT .....</b>	<b>4</b>
<b>TABLE OF CONTENTS .....</b>	<b>5</b>
<b>PART 1: INTRODUCTION .....</b>	<b>8</b>
<b>1.0 Outline .....</b>	<b>8</b>
<b>1.1 Background and purpose of the study.....</b>	<b>8</b>
<b>1.2 Motivation .....</b>	<b>8</b>
<b>1.3 Research question .....</b>	<b>9</b>
<b>1.4 Structure .....</b>	<b>9</b>
<b>PART 2: THEORETICAL PERSPECTIVE .....</b>	<b>11</b>
<b>2.0 Outline .....</b>	<b>11</b>
<b>2.1 The Evolvement of Management Control Systems .....</b>	<b>11</b>
<b>2.2 Management Control Systems .....</b>	<b>11</b>
2.2.1 Causes of management control problems .....	12
2.2.2 Characteristics of good management control .....	13
2.2.3 Control problem avoidance .....	14
<b>2.3 Results controls .....</b>	<b>15</b>
2.3.1 Prevalence of results controls .....	15
2.3.2 Results controls and the control problems .....	15
2.3.4 Elements of results controls.....	16
<b>2.4 Action, personnel and cultural controls .....</b>	<b>17</b>
<b>2.4.1 Action Controls .....</b>	<b>17</b>
2.4.1.1 Action controls and the control problems .....	18
2.4.1.2 Prevention versus detection .....	18
2.4.1.3 Conditions determining the effectiveness of action controls.....	19
<b>2.4.2 Personnel controls .....</b>	<b>19</b>
<b>2.4.3 Cultural controls .....</b>	<b>20</b>
2.4.3.1 Personnel/cultural controls and the control problems.....	21
<b>2.5 Incentive Systems .....</b>	<b>21</b>
2.5.1 Reason to implement Incentive Systems.....	21
2.5.2 Positive and negative incentives.....	22
2.5.3 Three types of Management control benefits .....	22
2.5.4 Monetary incentives .....	23
2.5.5 Salary increases .....	24
2.5.6 Criteria´s for evaluating the different systems .....	24

<b>2.6 Former research about management control systems .....</b>	<b>25</b>
2.6.1 Former research .....	25
2.6.2 Philanthropic owners.....	26
2.6.3 Hypothesis .....	26
<b>PART 3: RESEARCH METHOD .....</b>	<b>27</b>
<b>3.0 Outline .....</b>	<b>27</b>
<b>3.1 Introduction to research method .....</b>	<b>27</b>
<b>3.2 Research design.....</b>	<b>27</b>
<b>3.3 Research object .....</b>	<b>28</b>
<b>3.4 Method of data collection and analysis.....</b>	<b>29</b>
3.4.1 Qualitative approach .....	29
3.4.2 Primary data and secondary data .....	30
3.4.3 Execution of the interviews.....	30
<b>3.5 Sampling method and data collection .....</b>	<b>31</b>
3.5.1 Interview guide.....	31
3.5.2 Sample size and sample units .....	31
3.5.3 Interview situation .....	32
3.5.4 Research question.....	33
3.5.5 Case studies .....	33
<b>3.6 Research quality .....</b>	<b>33</b>
<b>3.7 Qualitative data analysis.....</b>	<b>35</b>
<b>PART 4: CASE STUDY.....</b>	<b>36</b>
<b>4.0 Outline .....</b>	<b>36</b>
<b>4.1 About Tanzania and todays situation .....</b>	<b>36</b>
4.1.1 Tanzania .....	36
4.1.2 Zanzibar .....	37
4.1.3The Economy of Tanzania.....	37
4.1.4 Development challenges in Tanzania.....	38
<b>4.2 Todays situation regarding the waste management.....</b>	<b>38</b>
<b>4.3 About Zanrec and project waste management.....</b>	<b>39</b>
4.3.1 Zanrec.....	39
4.3.2 Zanrec’s project regarding waste .....	40
<b>4.4 The development of the Company, Management and Board .....</b>	<b>40</b>
<b>4.5 How the company is using management control system .....</b>	<b>41</b>
<b>4.6 Changes in Management Control Systems .....</b>	<b>42</b>
<b>4.7 Planning .....</b>	<b>46</b>
<b>4.8 Reporting and monitoring.....</b>	<b>47</b>
<b>4.9 Challenges .....</b>	<b>48</b>
<b>PART 5: DISCUSSION AND CONCLUSION .....</b>	<b>51</b>

<b>5.0 Outline .....</b>	<b>51</b>
<b>5.1 Discussion.....</b>	<b>51</b>
<b>5.2 Summary and conclusion .....</b>	<b>54</b>
<b>5.3 Suggestions for further research .....</b>	<b>55</b>
<b>REFERENCES .....</b>	<b>57</b>

# **PART 1: INTRODUCTION**

## **1.0 Outline**

The purpose of the first chapter is to give an introduction to the study and contains the following subjects: Background of the study, the problem statement and the research question, purpose and structure.

## **1.1 Background and purpose of the study**

Managers at modern companies want to maximize the shareholders' value (Sundaram & Inkpen, 2004). To be sure of that all employees work towards the same goal within a firm, the management choose and construct different types of management control systems (Merchant & Stede, 2012). The determinations of a management control system are to undoubtedly communicate the organizations ambitions, make sure that managers and employees knows specific actions needed of them to succeed organizational goals, communicate the results of actions within the organization and guarantee that the management control system adapts to changes in the environment. The expression *management control* was first presented by Anthony (1965) who explains it as the procedure of ensuring that resources are achieved and used effectively and efficiently in the accomplishment of the organizations' goals (Carenys, 1997).

In this study there will be implications of management control systems that are successful and also unsuccessful in a company that is located in Tanzania when there is a change of owners. There have not been that many studies about this topic in African countries. Although management control systems are developed and working in western countries, it is not necessarily that they have the same impact in Africa. This thesis witnesses the change in management control systems where the ownership changes from a philanthropic focus to profit and sustainable business focus. The purpose is to see if the management control systems changes with new profit seeking investors.

## **1.2 Motivation**

Regarding my Master thesis, I would like to do a qualitative case study on successful and unsuccessful management control systems in a start-up company located in Tanzania when there is a change of owners. The research object where there will be taken a closer look at the



management control system is a company named Zanrec. In this case study I will review the strategy taken at the board level/owner level, from top level and down. Incentive systems, operations, result, action and people control locally and compare with existing management.

I visited Dar es Salam and Zanzibar in December 2015 and all the waste in the nature was one of the first things I noticed. These challenges are a huge problem and extremely important, I therefore find this issue very interesting. I believe that Zanrec is an important solution to the problem with great challenges regarding this issue.

In this case I would like to do several interviews, with the CEO, CO-founder, investor, chairman and also with one of the employees. I hope to find why they do this, what motivates the management. The economic growth in Tanzania has been round 7% the last years, but no one knows how long this will last (Norad, 2014). This is some of the issues I would try to conduct in this thesis. I will take a closer look on what thrives a Swedish company to invest in Africa, and also what the investors expect from the company and if they are willing to invest more if the results are not as expected. My focus will be on the management control systems that are used in this organization.

Projects like this are known as cash strain company and they tend to have cash flow and start-up problems. I will take a look at how the employees respond to this and if they are still motivated and willing to do what is expected of them. In a brief summary I will look at the whole company and all the stakeholders.

### **1.3 Research question**

This thesis has the following research question:” *How do management control systems change with different ownership in a Tanzanian start-up?*”

In order to answer this research question there will be done a case-study on one specific Tanzanian start-up project.

### **1.4 Structure**

The study consists of a total of five chapters, including the introduction part. In the second part the foundation of the theoretical perspective of the study including management control systems and incentive systems is discussed. The third chapter consists of research method. In

the fourth chapter the analysis and empiricism of this study will be presented. There will also be an analyze of the problem statement and the research question. The fifth and final chapter is a summary and a conclusion of the study and there will also be presented some suggestions for further research.

# **PART 2: THEORETICAL PERSPECTIVE**

## **2.0 Outline**

The purpose of this chapter is to present a theory that is relevant regarding answering the problem statement and also to develop a theoretical framework that will underpin the analysis of the study. This chapter will concentrate on the theoretical perspective of the study and the chapter is divided into five different sections.

## **2.1 The Evolvement of Management Control Systems**

It is becoming extremely important for a firm to survive in an increasing unpredictable world to renew its products and the way the products are being produced (Hoff & Bjørnenak, 2010). Companies in today's changing environment have to focus on meeting their customers' needs, deliver high-quality products and function at a low-cost level (Bunce, 2003). To make sure that the employees and managers within a firm are on the same level and that their involvement leads to an increase in the firm's total value, it is necessary to have a well-functioning management control system (Merchant & Stede, 2012).

Anthony presented management control systems in 1965 and he also parted management control system from operational control and strategic planning (Otley, 2003). The formalization of the subject of management control presented by Anthony and Govindarajan (2007) can be viewed as the first modern attempt (Berry, Broadbent, & Otley, 2005). In nearly every organization, management control is present as one of the organization's three planning and control functions. Respectively, the three most usual planning and control functions of an organization are respectively strategy formulation, task control and management control (Anthony & Govindarajan, 2007).

## **2.2 Management Control Systems**

Management control failures lead to large financial losses, reputation damage and possibly even to organizational disaster. Some management controls are proactive rather than reactive. Proactive means that the controls are designed to prevent problems before the organizations suffers any adverse effects on performance. Examples of proactive controls include planning processes, required expenditure approvals, segregation of duties, ad restricted access. Management control includes all the devices or systems managers use to be sure that the

behaviors and decisions of their employees are consistent with the organizations objectives and strategies. The primary function of management control is to influence behaviors in desirable ways. The benefit of management control is the increased probability that the organizations objectives will be achieved (Merchant & Van der Stede, 2012).

As said by Freeman (2010) knowledge of objectives is a prerequisite for the design of any management control system. In any organizations employees must have a basic understanding of what the organization is trying to accomplish. In most organizations the objectives are known, but there is also pretty common that the employees don't know the objectives. That is not to say that all employees always agree unanimously as to how to balance their organizations responsibilities to all of their stakeholders, including owners, debtholders, employees, suppliers, etc.

Having set the firms strategic intentions or objectives, strategies then define how organizations should use their resources to meet these objectives. A well conceived strategy guides employees in successfully pursuing their organizations objectives; it conveys to employees what they are supposed to be doing. Many organizations develop formal strategies through systematic, often elaborate, planning processes other organizations do not have formal, written strategies: instead they try to respond to opportunities that present themselves. For purposes of designing management control systems it is useful to have strategies that are specific and details as possible, if those strategies can be kept current. The formal strategic statements make it easier for management both to identify the feasible management control alternatives and to implement them effectively. The management controls can be targeted to the organizations critical success factors, such as developing new products, keeping costs down or growing market share, rather than aiming more generally at improving profitability in otherwise largely unspecified ways (Merchant & Van der Stede, 2012).

### **2.2.1 Causes of management control problems**

As discussed by Merchant and Van der Stede (2012), causes of the need for control can be classified into three main categories: lack of direction, motivational problems and personal limitations.

*Lack of directions* means that some employees perform inadequately simply because they do not know what the organizations wants from them. Even when employees understand what is expected of them, some do not perform as the organizations expects because of *motivational problems*. Motivational problems are common because individual and organizational objectives do not naturally coincide – individuals are self-interested. Employees sometimes act in their own personal interest at the expense of their organization's interest. The final behavioral problem that management control systems must address occurs where employees who know what is expected of them, and who may be highly motivates to perform well, are simply unable to perform well because of any of a number of other limitations. Some of these *limitations are person-specific*. They may be caused by lack of attitude, training, experience, stamina, or knowledge for the tasks at hand.

These three management control problems – lack of direction, motivational problems and personal limitations – can obviously occur simultaneously and in any combination.

### **2.2.2 Characteristics of good management control**

To have a high probability of success, organizations must therefore maintain good management control. Good control means that management can be reasonably confident that no major unpleasant surprises will occur. The label out of control is used to describe a situation where there is a high probability of poor performance, either overall or in a specific performance area, despite having a sound strategy in place. The cost of not having a perfect control system can be called a control loss. It is the difference between the performance that is theoretically possible given the strategy selected and the performance that can be reasonably expected with the management control systems in place.

Optimal control is said to be achieved if the control losses are expected to be smaller than the cost of implementing more controls. Because of control costs, perfect control is rarely the optimal outcome; what is optimal is control that is acceptable enough at a reasonable cost. Assessing whether good control has been achieved must be future-oriented and objectives-driven. It must be future-oriented because the goal is to have no unpleasant surprises in the future. It must be objectives driven because the objectives represent what the organization seeks to attain. As difficult as this assessment of management control is, however, it should be

done because organizational success depends on a good MCS (Merchant & Van der Stede, 2012).

### **2.2.3 Control problem avoidance**

Merchant and Van der Stede (2012) said that sometimes the easiest is just to avoid the problems, there is not always a need to implement management control systems. Avoidance means eliminating the possibility that the control problems will occur. Four prominent avoidance strategies are activity elimination, automation, centralization, and risk sharing.

It is most likely to *eliminate activities* if the managers are not able to control certain activities, if they do not have the required resources, because they do not have a good understanding of the required process or because they face legal or structural limitations. In cases where managers want to avoid the control problem it is common to use subcontracts, licensing agreements or divestment. Managers sometimes use computers, robots or other means of *automation* to reduce their organizations exposure to some control problems. Computers eliminate the human problems of inaccuracy, inconsistency and lack of motivation. Automation often requires major investments that may be justifiable only if improvements in productivity, as well as in control are forthcoming. Finally, automation may just replace some control problems with others. High degrees of *centralization*, where all the key decisions are made at top management levels, are common in small businesses, particularly when the founder or owner runs them. Common candidate for centralization are decisions regarding major acquisitions and divestments, organization changes, and hiring and firing key personnel. However, in most organizations of even minimal size, it is not possible to centralize all critical decisions, and other control solutions are necessary. As we will see, results controls play a critical role when decisions are decentralized. *Sharing risk* with outside entities can bound the losses that could be incurred by inappropriate employee behaviors. Risk sharing can involve buying insurance to protect against certain types of potentially large losses the organization might not be able to afford.

For the control problems that cannot be avoided, and those for which decisions have been made not to avoid, managers must implement one or more control mechanisms that are generally called management controls. These controls vary considerably among organizations

and among entities or decision areas of any single organization (Merchant & Van der Stede, 2012).

## **2.3 Results controls**

Results controls are an indirect form of control because they do not focus explicitly on the employees' actions or decisions. However, this indirectness provides some important advantages. Result controls can often be effective when it is not clear what behaviors are most desirable. In addition, results controls can yield good control while allowing the employees whose behaviors are being controlled high autonomy. Many people, particularly those higher in the organizational hierarchy, value high autonomy and respond well to it. Results controls are not effective in every situation however. Failure to satisfy all three effectiveness conditions will render results controls impotent. It will also probably precipitate any of a number of dysfunctional side effects. Results controls usually are the major element of the MCS used in all but the smallest organizations. Results controls often are supplemented by action and personnel/cultural controls (Merchant & Van der Stede, 2012).

As said by Kerr (2003) pay-for-performance is an example of result control because it involves rewarding employees for producing good results. The employees have to be concerned about the consequences of their actions or decisions. Well-designed result control systems can help produce the desired results.

### **2.3.1 Prevalence of results controls**

Result controls are generally used for controlling the performance of the employees at all organizational levels. They are a required element in the employee empowerment approach to management, which became a management trend starting in the early 1990s (Blanchard, Carlos and Randolph, 1999). Result controls are most used for controlling the actions of the employees with decision authority, like managers on all levels. These controls are necessary for the implementation of decentralized forms of organization with generally self-directed units (Merchant & Van der Stede, 2012).

### **2.3.2 Results controls and the control problems**

Result controls provide several preventive-type benefits. If the results are well defined, the employees know what is expected of them and it encourages them to produce the desired results. In this way, result control may lead to a potential lack of direction and they can also

lead to motivational problems and personal limitations. Because results controls typically promote rewards for good performers they can help the organizations to attract and retain employees who do a respectable employment. If the performance fails to meet expectations, organizations may consider changing their strategies, processes or even the employees. (Campbell, Datar, Kulp and Narayanan, (2008). Investigating and intervening when performance is deviating from expectations is very important and the essence of result controls (Merchant & Van der Stede, 2012).

### **2.3.4 Elements of results controls**

Merchant and Van der Stede (2012) have defined four steps in the implementation of results controls. The first is defining the dimension on the desired results. The second is measuring performance in the chosen dimensions. The third is setting performance targets to the employees for each of the measures. The last one is providing rewards for each reach target to encourage the behaviors that will lead to the preferred results.

*Defining the right performance dimensions* is challenging and involves balancing organizations' responsibilities to all of their stakeholders. Although it is challenging to define the desired performance dimensions, it is equally critical to choose performance measures that are congruent with the chosen performance dimensions because they show the employees what is important. In other words, what you measure is what you get. If the measurement is not aligned with the company and what is desired, the results controls can then be said to have unintended consequences. *Measuring performance* is typically a measurement of the performance of an organizational entity or an employee in a specific time period. The most common measurements are net income, earnings per share etc. The performance measures often vary across the organizational levels, at the top level most of the key results are in market or financial terms and the lower levels the managers are typically evaluated in terms of operational measures that are controllable at that level. *Setting performance targets* is important because they affect the behavior of the employees. They improve the motivation by providing clear goals and the performance targets allow the employees to assess their performance. The final element of a results control systems is *providing rewards*. They can include anything employees' value, for instance bonuses or salary increases. The opposite of punishments are rewards, things the employees dislike, such as threat of dismissal or



demotions. People often derive their own internally generated intrinsic rewards through a sense of accomplishment for achieving the desired results.

Motivational strength can be understood in the several theories that have been developed the last years. Expectancy theory assumes that individuals' motivational effort is a function of their belief that certain outcomes will result from their behavior and their valences of their preference for those outcomes. The value of a bonus is not always restricted to monetary value; it may also valence in other valued items such as status (Vroom, 1964). Organizations should promise their employees the rewards that provide the most powerful motivational effects in the most cost effective way. Often are the motivational effects individual and if the organization can tailor their rewards to the individual preferences of their employees, they can provide meaningful rewards in a cost efficient manner. (Merchant & Van der Stede, 2012).

## **2.4 Action, personnel and cultural controls**

Organizations can replace or complement result controls with other forms of control to make sure the employees act in the organizations best interest. Other forms of control that are commonly used are action control, personnel control and cultural controls. Action controls are realistic only when managers know what actions that are desired. Personnel controls are designed to make it more likely that employees will do the desired assignments satisfactorily on their own because they are honest and hardworking and grow a sense of self-realization and satisfaction from performing well. And finally, cultural controls exist to form organizational behavioral norms and to inspire employees to monitor and influence each other's behavior (Merchant & Van der Stede, 2012).

### **2.4.1 Action Controls**

Action controls are the most direct form of management control because they involve taking steps to make sure that employees perform in the organization's best interest by making their action themselves the focus of control. Merchant and Van der Stede (2012) defines four basic forms of action controls: behavioral constraints, pre action reviews, action accountability and redundancy.

*Behavioral constraints* are a constraining form of action control. These controls make it more difficult for employees to do things that should not be done. They can be applied physically or administratively, ex. Passwords and limited access to areas with sensitive information. The

most common forms are restrictions of decision-making authority and separation of duties. This means breaking up the tasks necessary for the accomplishment of certain sensitive duties, thus making it difficult for one person to complete the entire task on their own. Separation of responsibilities is one of the basic requirements of what is known as internal control. *Pre-action reviews* contain the inspection of the action plans of the employees being controlled and commonly occurs during the planning and budgeting processes. *Action accountability* means that you are holding the employees responsible for the actions they make. The implementation of action accountability control requires four steps; The first is defining what actions are acceptable or unacceptable, thereafter those definitions must be communicated to the employees, then there is observing or tracking what happens and finally rewarding good actions or punishing actions that differ from the desired result. The employees must understand what is required from them and be confident that their actions will be noticed and rewarded or punished. *Redundancy*, means assigning more employees to an assignment than necessary can be considered an action control because it increases the probability that a task will be satisfactorily completed.

#### **2.4.1.1 Action controls and the control problems**

Merchant and Van der Stede (2012) said that action controls work because they address one or more of the three basic control problems. Behavioral constraints are mainly effective in reducing motivational problems. Pre-action reviews can address all three of the control problems, often they involve communications about the desired results to the employees, which help alleviate a lack of direction. Action accountability controls can also address all of the control problems. The instructions of desired actions can help specify direction and improve the sorts of personal limitations due to incompetent skills or experience. The rewards or punishments help provide motivation among the employees.

#### **2.4.1.2 Prevention versus detection**

Action control may also be helpfully classified according to whether they help to prevent or to observe unwelcome behaviors. This is very important because controls that prevent undesired actions are one of the most powerful form of control since the costs and harm stemming from the undesirable behaviors will be avoided. Detection-type action controls disagree from prevention-type controls in that the former are applied after the happening of the behavior. Still, they can be effective if the uncovering is made in an appropriate manner and if the

uncovering results in an end of the behavior and an improvement of the effects of the wounding actions (Merchant & Van der Stede, 2012).

#### **2.4.1.3 Conditions determining the effectiveness of action controls**

Action controls are not effective in every situation. There are two conditions that have to exist, at least to some extent. The first is that the organizations can determine what actions that are desired and not desired. And the second is that the organizations are able to ensure that the desired actions occur and the undesired do not occur. Knowledge of desired actions is very important. There is two ways to get knowledge of the desired actions. Either by analyzing patterns in a specific situation over time or be informed by others. If policies and procedures are not kept up-to-date there is a possibility that the results controls encourage employees to take the wrong actions (Merchant & Van der Stede, 2012).

The ability to ensure that desired actions are taken is also important, because knowing what actions that are preferred is not enough by itself to guarantee optimal control. This ability differs broadly between the different action controls. Action tracking provides a challenge that must be faced in making action accountability controls effective. The criteria that are commonly used to decide whether the action tracking is effective are *objectivity*, *precision*, *timeliness* and *understandability*. *Objectivity* is an apprehension because reports of actions made by those whose actions are being measured cannot certainly be relied upon. Without objectivity, management cannot be sure whether the action reports reflect the actual actions taken, and the reports lose their value for control purposes (Time, 2001, 18.06). *Precision* is about the amount of error in the indicators used to communicate what actions have taken place. In tracking actions *timeliness* is important. Finally, it is important that the actions for which employees are to be held responsible are *understandable*. These controls encourage employees to control their own behaviors, which is known as personnel controls, or to control each other's behaviors, known as cultural controls (Merchant & Van der Stede, 2012).

#### **2.4.2 Personnel controls**

Personnel controls are building on the employees' natural tendencies to control or motivate themselves. There are three purposes regarding personnel controls. The first one is that some personnel controls help clarify expectations. Second, some personnel controls help ensure that each employee have all the capabilities and resources to do a good job. Third, some personnel

controls rise the probability that each employee will participate in self-monitoring. Self-monitoring is an innate strength that drives the employees to want to do a good job and is very effective because most people have a conscience that leads them to do what is right and are able to derive positive feeling of self-respect and satisfaction when they do a good job and see their organization succeed. Personnel controls can be applied through selection and placement, training and job design and resourcing. In other words – finding right people for the job, training them and then giving them a good work environment and the necessary resources so the job will get done properly (Merchant & Van der Stede, 2012).

Organizations use considerable time and effort to employee *selection and placement*. There is large literature that describes how this should best be accomplished. Much of this literature described possible predictors of success, such as education, experience, past successes and personality and social skills (Business Week, 1982, 05.07). Employee selection often involves reference checks on new employees, which many organizations have stepped up in recent years in response to the heightened worries over workplace security (Roberts, 2004). *Training* is another usual way to raise the probability that employees do a good job. Training can provide useful information about what actions or results are expected and how the assigned tasks can be best accomplished. Training can also have positive motivational effects because employees can be given a greater sense of competence, and they are often more involved in performing well in jobs they understand better. To help employees act aptly *job design and provision of necessary resources* is also important. The job must be designed to allow motivated and qualified employees a high probability of success. Not all organizations give their employees a chance to succeed and some jobs may be too complex to understand (Merchant & Van der Stede, 2012).

### **2.4.3 Cultural controls**

As said by Merchant and Van der Stede (2012) cultural controls are designed to encourage mutual observing, a dominant form of group pressure on individuals who diverge from group norms and values. These controls are most effective when the group members have social or emotional ties to each other. Cultures are built on shared traditions, norms, beliefs, values, ideologies, attitudes, and ways of behaving. The cultural norms are personified in written and unwritten rules that direct employees' behaviors. Organizational values can be formed in

many ways, both in words and by example, including by way of codes of conduct, group rewards, intra-organizational transfers, physical and social arrangements, and tone at the top.

It is normal that organizations above minimal size form their organizational culture through *codes of conduct*, codes of ethics, statements of mission, vision or management philosophy. These formal, written documents specify broad, general statements of organizational values; commitments to stakeholders, and the ways management want the organization to work. The codes of conduct are designed to help the employees understand what is expected of them regarding their behavior. Providing rewards or incentives based on collective success also encourages cultural control. There are many forms of these incentive plans based on collective achievement. The most common are bonus, profit sharing or gain sharing plans that provide compensation based on overall company performance in terms of accounting returns, profit or cost reductions. When it comes to *group rewards*, the link between individual effort and the results being rewarded is weak. Motivation to achieve rewards is not among the first forces affected by the group rewards, instead communication of expectations and mutual monitoring are. Group rewards can inspire teamwork, instruction of new employees, and the creation of peer pressure on individual employees to exert themselves for the good of the group (Merchant & Van der Stede, 2012).

#### **2.4.3.1 Personnel/cultural controls and the control problems**

In a short summary, personnel and cultural controls are efficient of addressing all of the control problems though not each type of control in this category is effective at addressing each type of problem. The lack-of-direction problem can be minimized for example by providing training programs, hiring experienced personnel or by assigning new personnel to work groups that will provide good direction. The motivational problem, which often is minimal in organizations with strong cultures, can be minimized in other organizations by hiring highly motivated people or by assigning people to work groups that will tend to make them adjust to group norms. Personal limitations can also be reduced through one or more types of personnel controls, especially the selection, training, and provision of necessary resources (Merchant & Van der Stede, 2012).

## **2.5 Incentive Systems**

### **2.5.1 Reason to implement Incentive Systems**

Incentives are used to direct employee's behaviors and they are an important part of the results-control arrangements. Rewards that can be related to measures of performance or subjective performance evaluations come in many forms. It is believed that monetary rewards are an important form of motivation (Beer and Katz, 2003).

Incentive systems present problems that are far greater than just the choice of rewards, for instance tailoring rewards to the individual preferences for the employees would seem to be effective, but that benefit has to be weighed against the potential for employee's acuties of inequities and the cost of contract administration. One of the safest advice that can be given is that incentives should be sufficiently meaningful to balance other motives employees have to act in ways that are different from the organizations best interests, but the rewards should not be greater than those necessary to provide the needed motivation. The incentive system will not create any value unless the incremental value of the improved performance caused by the incentives outdoes the related compensation and administration expense. Organizations also have to concern about implementing a reward that inspires performances that do not lead to the desired outcomes (Merchant and Van der Stede, 2003).

### **2.5.2 Positive and negative incentives**

Incentive systems are important because they inform and remind employees which results are desired and motivate the employees to achieve and exceed the performance targets (Merchant and Van der Stede, 2003). There are positive and negative incentives. The most valued ones are often the positive incentives because they lead to rewards. Negative incentives are associated with punishments. It is proved that individuals are more strongly motivated by the potential of earning rewards than the fear of punishment (Pontus Engström, 04.11.2014).

The most known forms of punishments and rewards are monetary or non-monetary. Salary increase, bonuses and benefits are some monetary rewards, and promotion, titles and autonomy are non-monetary. A monetary punishment can be no raise or no bonus and a non-monetary form of punishment can be loss of job or no promotion. (Pontus Engström, 04.11.2014)

### **2.5.3 Three types of Management control benefits**

As discussed by Merchant and Van der Stede (2003) performance-dependent incentives provide the will for the employees' natural self-interest with the organizations objectives. They provide three types of management control benefits.

The first is *informational*. Rewards get the employees attention and reminds them of the importance of often-competing results areas, such as quality and costs. This aspect is often called the effort-directing purpose because the rewards shows which areas that are important and helps the employees to decide how to direct their effort. The second incentive benefit is *motivational*. Motivation is supposed to provide getting the employees to work hard and also helping them to understand what is expected of their performance. The purpose of this incentive is often called the effort-inducing purpose because some employees need incentives to exert the extra effort required to work hard, do a good job and succeed (Bonner and Sprinkle, 2002). The third control benefit is *attraction and retention* of personnel. Rewards that are dependent on the performance are an important part of many employees' total compensation package. Paying only guaranteed salaries tends to attract risk-averse employees and performance-dependent rewards tends to attract employees who are more risk tolerant and more confident in their abilities. Restricted stocks are often geared towards employee retention.

Finally, incentive systems also attend several non-control purposes. Incentive systems that are performance-dependent make rewards more variable with performance and tax considerations (Merchant and Van der Stede, 2003).

#### **2.5.4 Monetary incentives**

Money is an important incentive form that is often connected to performance, especially at management levels in organizations. Monetary rewards are not the only form of reward and it is not sure that it's the best form, but it is the most common. There are three main ways through which monetary rewards can be offered: through performance-based salary increases, short-term incentive plans, and long-term incentive plans (Merchant and Van der Stede, 2003).

External influence which rewards in terms of money, can affect the inner motivation of the employees in a positive or negative way. The inner motivation arising out of self-interest or pleasure in the work, or a sense of responsibility. A distinction between controlling and

supportive external influences (Frey & Jegen, 2001). If the influence is perceived as controlling and thus not recognizing the employee's own motivation to do the job, the inner motivation decreases. If the employee sees that the external influence underpins own values, the employees' intrinsic motivation strengthened. The way financial rewards are perceived, can be influenced by the norms of return favors, reward the signal power and the extent to which the rewards influence social recognition we get (Fehr & Falk, 2002). Critics of variable remuneration points out that monetary rewards can affect relationships within the organization negatively, between colleagues at the same level - and between managers and employees (Kohn, 1993; Pfeffer, 1998).

Overall, the literature on social and psychological effects that the employee perception of the rewards is very important for motivation effect. If the employee seems that the reward is in its place, and is a fair return for the work done and the results produced, the rewards could be positive also for the inner motivation. But if the employee believes that the rewards are not appropriate or give negative signals, the rewards is likely to have a negative impact. In other words, it is not only the objective characteristics of the reward system that is important for how it works, but also the employees' attitudes and the communication and the processes taking place in the implementation and monitoring of the system.

### **2.5.5 Salary increases**

The majority of organizations consider salary increases to employees at all organizational levels. Salary increases are typically a small proportion of an employee's salary, but they have great value because they are not just a one-time payment; they provide an annuity that often endures for many years. An increase in salary can be seen as a reward when they are expected to be earned through performance or the acquisition of skills that promise improved performance in future periods. Higher salaries often lead to higher expectations going forward: that is, those who performed well can expect to earn the highest raise, but this also leads to expectations of sustained performance (Merchant and Van der Stede, 2003).

### **2.5.6 Criteria's for evaluating the different systems**

There are many criteria for evaluating the different incentive systems. Rewards should be *valued*, if the reward has no value, it will not provide any motivation. However, what people value vary across individuals and it may take some time to find the best incentive system for



your employees. The rewards have to be *understandable*, which means that the employees should understand the incentive system well, if not the expense will not generate the desired motivational effects. Another criterion is that the rewards have to be *large enough to have impact*. If the rewards that are valued are provided in small amounts, the rewards might end up having the opposite of the desired effect. Incentive systems have to be *durable*. Rewards have more value if the good feelings caused by the granting of a rewards are long lasting; that is, if employees remember them. Incentive should be *timely* because rewards will lose their motivational effect if there is a delay in providing the rewards after the performance that deserves a bonus. Another criterion is that rewards should be *reversible*. Performance evaluators often make mistakes and some decisions are more difficult to correct than other, ex. It is difficult to reverse a promotion. Finally, rewards should be *cost efficient*, that is, all else identical, incentives should accomplish the preferred motivation at minimal cost (Merchant and Van der Stede, 2003).

## **2.6 Former research about management control systems**

### **2.6.1 Former research**

The previous studies and theories about management control systems are most common in developed countries. Management control systems should focus on generating truthful costs, relate processes and activities to strategic outcomes (Chenhall & Langfield-Smith, 1998). There are not that many studies on management control systems in Africa, but Okeahialam and Kedsilie (1999) said that the management control systems in sub-Saharan Africa are based on systems used in France and the UK.

It was said by Shields (1997) and also by Scapens (1999) that changes in the environment cause changes within organizations, which in longer term changes the management control systems. Public firms are usually considered as less efficient than private companies. Kumar (2004) said that public firms have fewer decision-making responsibilities and that is why they do not need elaborate management control systems. Dzakpasu (1998) indicates that especially in Ghana, Tanzania and Uganda effective decision-making practices are critical because in these countries the privatized firms have not yet established. He also said that developments in the effectiveness of the management in private firms have increased firm performance in those mentioned countries.

The research on management control systems in developing countries is sporadic. There has not been done that many of them. The common thoughts are typically and there are other issues that may have impact. One could conclude from the gap of research that management control systems are vital in a developing country context. There are cultural differences.

### **2.6.2 Philanthropic owners**

Philanthropy means to act for the good of others without thinking about financial gain. A philanthropist gives time and knowledge and also support financially without thinking about the return. There are still companies where the managements have all control, even though the majority of listed companies in South Africa are coordinated by a dominant shareholder. There is likely that companies controlled by directors will wish to maximize directors' compensation and that companies controlled by shareholders will wish to increase the profit attributable to shareholder, but the opposite was found in a study by Steyn and Stainbank (2013). There is a lack of literature on how philanthropic owners affect the organization. There is a separation on risk bearing, because philanthropic has less issues with risk and may have less interests in profit. They often have a broader perspective and a different motivation compared with the profit seeking that focuses on making value.

### **2.6.3 Hypothesis**

On basis of the information above, the following hypothesis is obtained:

*Changing from philanthropic- to profit-seeking owners leads to more focus on management control systems*

# **PART 3: RESEARCH METHOD**

## **3.0 Outline**

The purpose of this chapter is to explain the methodological choices that have been made and what the decisions have led to in relation to the result of the study, both in terms of research design, research quality and conducting the interviews. I will first present the introduction to research method, then the design of my study and I will also present the object of the study and the lastly I will describe the method of data collection.

## **3.1 Introduction to research method**

As said by Jacobsen (2000) a research is supposed to answer one or several questions. For answering the question, you must use an organized process, which in terminology is called method (Gripsrud, Olsson and Silkoset, 2004) and method can be described as the tool researchers use to answer the research method (Hesse-Biber and Leavy, 2011). The method a researcher chooses to answer the problem statement depends on several factors, for example that the objective of the study is and what resources the researcher has at the disposal (Gripsrud et al.,2004). The meaning of finding the answers to the problem statement is to know whether or not the researchers' assumptions are correct and, therefore, obtain new knowledge (Jacobsen, 2000). In this study the management control system by the company named Zanrec is explored and the study is to answering the following problem statement:

*" How do management control systems change with different ownership in a Tanzanian start-up?"*

To answer this problem statement, Zanrecs version of the management control system is studied. In this study there will be taken a look at how the company implement management control systems, what the control systems has done to the company and how the company use or should have used the control systems.

## **3.2 Research design**

There is a need of a relevant research design, to make sure that the information collected is relevant for answering the research question. Regarding to Zikmund, Babin, Carr and Griffin (2010) a research design describes relevant methods and procedures for collecting and

analyzing data. The research design varies depending on the type of research question and contributes to discover information that helps to solve the research problem in the best way given the limitations of the research (Jacobsen, 2000).

A research question can be explored through a causal, descriptive or exploratory design. In this study it was chosen a descriptive design because it would be the most appropriate to examine the research question. Regarding to Zikmund and others (2010) descriptive design is characterized of a specific situation by asking who, what, when and how questions. When the researcher understands the question and situation it is time for the study to start. Ghauri and Grønhaug (2005) also said that a perfect research question should be structured and understood.

In this study there is used a descriptive design because the research question is structured and hopefully well understood in the way it tries to describe the situation in one specific organization. The interviews with all the respondents was done during the same week, but hopefully monitored and controlled during my thesis. In terms of research design, there are numerous ways to answer it, in terms of time and design. Research about finance and accounting tries to answer problems, study situations and add new knowledge (Smith, 2011). The use of case studies has been more common when studying the company's financial management system (Ryan, Theobold & Scapens, 2002). In the use of a case study the researcher gets the chance to observe the phenomenon in environment, which means that for business research the information comes from within the organization (Farquahar, 2012).

### **3.3 Research object**

In this thesis, the company Zanrec is the object of research. The company started with only a few management control systems, but during time and development of the company they have implemented more. In the start-up of the company they were just focusing on daily operations, but after they got investors they also had to follow their control requirements.

Zanrec was chosen as the study object to assist research observing the changes in the company with the implementation of more management control systems and furthermore how the company was before the implementation. Gathering info from the business through depth interviews will hopefully give a foundation for being able to answer the problem statement of this thesis.

### **3.4 Method of data collection and analysis**

In terms of data collection method, a known difference is between qualitative and quantitative methods. The difference between these two approaches is about the grouping of features and the grade of structuring (Johannessen et al., 2004). A quantitative approach is organized so one can calculate and quantify the phenomenon, and there is a high level of structuring. With a qualitative approach, there is not prepared for quantification of a definite phenomenon, one categorizes observations afterward and it is based on what the selected informants have indicated. The structure of a qualitative method is more flexible and unstructured; the data collection is characterized by transparency.

Because of the problem statement in this study, it will be most suitable to choose a qualitative data collection rather than a quantitative method. The purpose of this study is to understand the management control systems that has been and is used by the company.

#### **3.4.1 Qualitative approach**

Ghuri and Grønhaug (2005) said that how you decide to conduct your study depends on the different types of data which is needed to answer the research question. The research question can be answered by using qualitative or quantitative method. The difference between these two methods is the way data is collected, units, analysis and conclusion and the ability to generalize the findings although the interpretation of the results is the same. While the qualitative approach is using words to describe the phenomenon, the quantitative is based on scaled and numeric values (Jacobsen, 2000; Ghauri and Grønhaug, 2005).

A qualitative approach is often used when the researcher wishes to elaborate and survey fewer respondents or samples to understand how the respondents interpret and also understand a specific situation. This will give a more detailed description of the study, but it may be difficult to generalize the findings (Zikmund et al, 2010; Jacobsen, 2000). The reason why I chose to use a qualitative approach is because I mean this approach will give a deeper understanding of the study.

It is challenging to know how many interviews that will provide satisfactory quantity data when you are conducting a qualitative study by depth-interviews (Johannessen et al., 2004). Depth-interviews are time-consuming and in addition is the preparation and analysis it is therefore not appropriate to spend time on respondents that do not add relevant information to

the study (Ryen, 2002). For this study it was conducted four interviews, representing board, investors, owners and employees. The number of interviews and respondents were satisfactory in terms of information about the management control systems that are being used at Zanrec.

### **3.4.2 Primary data and secondary data**

The search for relevant information can take a lot of time and can also be costly, it is therefore important that the researcher effectively can find and use the right sources (Smith, 2011). As said by Jacobsen (2000) there are two categories of the information, primary and secondary data. Primary data is data that has been collected for the first time and secondary data is defined as information that cannot be collected directly from the source and is therefore based on existing material.

To get better understanding of the theoretical aspects of this theme, this thesis was started with collecting secondary data. I have used written articles and literature from classes to get a better understanding of this theme and also to be more prepared to the interviews. There is not many articles or case study about this theme or problem statement.

The primary data in this thesis consists of qualitative interviews with the managers, investors and employees of the company. The informants have provided information about how the strategy and management control systems started and how it developed during the project.

### **3.4.3 Execution of the interviews**

There are several options on how to form and execute a research interview; there exist for example different degrees of structure (Kvale, 1997). In terms of structure, there is a strictly structured interview that contains all the questions that the interview will include and in the opposite way there are also open interviews with no structure and no prepared questions. Between those two mentioned forms of structure, the semi-structured interview is found. The semi-structured interview is partly structured, which means that some questions or themes are prepared. For these type of interview, it is common to make an interview guide.

Because the semi-structured form enables flexibility and contextual adaption and the form of interview is well suited for qualitative data collection, this form of interview structure was chosen for this case study (Farquhar, 2012). When you have an exploratory case study, it is necessary to understand the informant's attitudes and opinions. Semi-structured interview can

serve this purpose because this form of interview enables flexibility, there is possible to adjust the proposed question in the interview guide by for example adding questions or asking follow-up questions. For this case study, it was essential that the gathered answers from all the different interviews could be compared. Therefore, it was advantageous to have semi-structured interviews, to make sure of that all the themes that is central for the study were covered.

## **3.5 Sampling method and data collection**

### **3.5.1 Interview guide**

Additionally, I developed an interview guide which contained structured questions and to make sure the interview guide was well formulated and included all the needed aspects, I made this in association with my supervisor. The interview guide starts with an introduction of the purpose of the interview and then some general background of the respondents.

As discussed by Jacobsen (2000) the interview guide is an overview of the theme that the researchers want to cover during the interview, and the ideas may also be arranged in the order they are supposed to unfold. The interview guide works as a reminder on what topic the researcher finds important. When the interview is semi-structured, like in this case, the interview guide also contains suggested questions for each topic and the researcher chooses how strictly the questions are being covered during the interview (Kvale, 1997).

The themes in the interview guide were listed in the order that they were thought to be presented. Yet, the order of the themes worked more as a suggested order than the actual order as the themes loosened in a more natural way through the interview session, which is usual practice (Jacobsen, 2000). Still, the interview guide was very convenient to have because it functioned as a tool for keeping focus during the interviews.

The interview guide is written in English and I am aware of that some information may have been lost or misunderstood because my mother tongue is Norwegian and some of the interviewees usually prefer Swahili or Swedish. Just to make sure that my questions were understandable I tested them on some friends, which also improved my interview skills before the actual interviews.

### **3.5.2 Sample size and sample units**

As said by Jacobsen (2000) internal validity exists if the outcome, conclusion and explanation

of the situation or in this case the organization are acceptable and one of the key elements to get a good internal validity is to choose the right population. Because of the time limit on this thesis, there is only time to interview a small sample of the population involved in Zanrec. It was believed that three or four people with unlike responsibilities in Zanrec would be suitable to understand, gain insight and create reasons that could contribute to gain nuanced description of changes in management control systems because of change in ownership. The CEO of Zanrec selected one of his employees to answer my questions. This was then a nonprobability sampling method that is when the respondents are selected based on for example personal judgment, convenience or appropriate characteristics of the respondents and then again, this can lead to a systematic biased sample size.

### **3.5.3 Interview situation**

Before the interviews I had a conversation with the CEO through e-mail where he told me who he had chosen to answer my questions and also the time and date this could be done. I just had to make sure that the confidentiality agreement was signed of all the affected persons. The interview guide was not presented to the respondents, just to make sure of that they did not rehearse the answers. All of the interviews were on Skype.

The interviews started with a short introduction of the interviewers and the purpose of this thesis. All the respondents accepted that I recorded the interview with them and all of them are aware of that this thesis is confidential in at least three years. The respondents seemed to be interested in my thesis, some more than others. They answered on all my questions and came up with both positive and negative sides of Zanrec. There is a possibility that some of them chose to keep some information by them self because of the recorder, but it may also be because of the economic situation in the company and that it is a lot going on right now.

The interviews were approximately one hour long, which is an optimal length according to Ryen (2000). The respondents were informed about the length before the interview started, and it was also mentioned in the e-mail conversation with the CEO. The respondents were asked to tell about the situation in the company in the start of the project and the current situation. The gathered data therefore contains information of both present and past time.

When the interviews were completed I gathered all the information and wrote down important point and notes.



### **3.5.4 Research question**

In the beginning of this master thesis I said that the purpose for this thesis is to identify changes in management control systems because of changes in ownership in one specific organization, located in Tanzania. This specific case is an ongoing high-risk project and hopefully it will end up with a successful outcome. I therefore arrived at this specific research question: “*How do management control systems change with different ownership in a Tanzanian start-up?*” As discussed by Jacobsen (2000) the requirements for a research question is that it is simple, engaging and also give some contribution to the field. I find my research question very engaging, that I have elaborated in the background of this thesis. I find this project very interesting.

### **3.5.5 Case studies**

Yin (2009) defines a case study as an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple methods of data collection.

Case studies focus on gathering information about a specific object, happening or activity, like for example a specific business unit or organization. In case studies, the case is the individual, the group or the organization the researcher is interested in and the idea behind the study is that in order to understand the problem one must see the real-life situation from various perspectives and angles using multiple methods of data collection. (Sekaran & Bougie, 2013)

The purpose of this thesis is to find changes in management control systems when the owners change. I considered that the best approach to this research question would be to use real-life examples to gain understanding of the research question in a specific situation. Therefore, a case study will be the most suitable in this thesis and case studies are often applied when it is used descriptive design (Jacobsen, 2000).

### **3.6 Research quality**

According to Tjora (2010) research is about making results that are trustworthy and that involves creating interpretations that are well argued and based on empirical data that are analyzed systematically. Relative to quality criteria for quantitative research, it relates to reliability and various forms of validity (Johannessen et al, 2004), while there is different beliefs in terms of what can be considered as acceptable qualitative research (Ryen, 2002).

Qualitative research has been judged for not satisfying the quality criteria, concerning reliability and validity. Because of this critique there has been developed a new perception for reliability and validity, to capture and enable what qualitative studies includes.

In terms of reliability, this criterion relates on how to handle and process assembled data, how the data is gathered and what kind of data that is chosen to use (Johannessen et al., 2004). The perfect setting is a researcher that remains fully neutrality and objectivity about the phenomenon being studied and related to the informants. Full neutrality and objectivity are perfect sine the researchers' opinions and involvement will be seen as interfering noise in the analysis and affect the final result (Tjora, 2010).

The next quality criteria to discuss are credibility, which also is known as internal validity. As said by Johannessen et al. (2004) quantitative approaches validity is whether the study measures what one wants to measure, but a qualitative approach is considered as trustworthy if the research observes the phenomenon the study is planned to examine. Credibility for a qualitative approach is whether the results of the analysis reveal the reality and reflects the purpose of the investigation. Achieving credibility can be done in two ways. The first way is when the researcher is familiar with the theme and knows what kind of data that is relevant and what is not. The other way is when the researcher uses several methods to gather data.

Regarding validity of the qualitative research, transferability is the second aspect, and it deals with external validity. External validity in quantitative research is how to generalize the findings from a sample of the population using statistics. There is a different need for generalization in a qualitative study. In a qualitative research external validity is to extent to which one can conduct results of the analysis and provide descriptions and interpretations that can be advantageous in other settings than only one survey (Johannessen et al., 2004).

There are three forms of generalizations; respectively naturalistic, moderate and conceptual. Naturalistic generalization expects that the recipient reflects whether the result can be generalized or not, while with moderate generalization the researcher describes in what situations the results can be valid. Finally, with conceptual generalization the researcher has developed ideas or theories that will have relevance for other studies (Tjora, 2010).

The last criteria for quality in qualitative research are consistency, which is when the results of the research are of an objective character and not the researcher's subjective attitudes. This

principle also discusses the validity, and the criteria are found when the researcher is warily describing and revealing the results in the research, which gives the recipient a chance to review conclusions. It is fundamental that the researcher presents what perhaps could have affected the result, according to set ideas, differences and perceptions (Johannessen et al., 2004).

### **3.7 Qualitative data analysis**

The analysis of the data involves finding an arrangement of composed information that makes sense, where the material entails of in-depth-interviews, observations or documents (Johannessen et al., 2004). There is potential to approach the qualitative data both deductively and inductively, where a deductive approach is going from theory to the empirical material, and an inductive approach is the opposite, which is going from empirical data to theory. This can also be said in the way that a deductive approach relates to the movement from the general to the specific and the inductive approach is about drawing conclusions from the special and distinctive to what can be shown as conventional (Johannessen et al., 2004).

After the interviews were completed, they were transcribed and arranged in different groups containing important and less important information. Theoretical framework and assumptions have shaped and influenced the collection of data and analysis of the material, and the analysis of the collected data is, therefore, a descriptive approach. This was also recommended by Jacobsen (2000) earlier.

I started to analyze the data right after gathering all the information. As said by Jacobsen (2000) the qualitative analysis starts with transcribing the raw data and it may take a lot of time but you will get very detailed information. All the data in this thesis is gathered through interviews. When the transcribing was finished, I got an overview over the results and found that some of them might be more important than other. These findings are discussed under the research results in the next chapter.

# **PART 4: CASE STUDY**

## **4.0 Outline**

This chapter will present both the empiricism and the analysis of the study. This chapter consists of five parts. The first part is about Tanzania, the economy of the country and challenges. The second part is about today's situation regarding the waste management. Next, the company and its project will be presented, including the management control systems which is used. Finally, the information about today's management controls systems, changes and further challenges conducted during the interviews will be presented.

## **4.1 About Tanzania and today's situation**

### **4.1.1 Tanzania**

Tanzania is a Republic of East Africa and are bordering Mozambique, Malawi and Zambia to the south, Democratic Republic of Congo, Burundi and Rwanda in the west, Uganda and Kenya in the north. Lying just south of the equator, Tanzania is East Africa's largest country. (Hem, 2015)

With an average monthly income under \$200, Tanzania is among the poorest countries in the world. 50% of the population live in poverty and do not have not access to safe water. One out of six children die before they reach the age of 5 years, and the life expectancy is now below 50 years. The foreign debt of Tanzania is currently around \$7 billion and is a crippling problem to the economy: in 2002, 40% of the Tanzanian government's income was used to pay external debts, that is almost twice the size of the budget for health and education. Annually Tanzania gets over \$1 billion in aid. (Finke, 2003)

Tanzania is in a political upheaval and the country is marked by development and challenges. The discoveries of gas can provide substantial revenues for 15-20 years. These findings have created expectations of great growth in the revenues, creation of new jobs and improvement of the social services. Over the last decade Tanzania has had an economic growth of about 7% and in 2014 the inflation was about 5%. Tanzania has high economic growth and progress on social indicators such as health and education. (Norad, 2014)

Only about 10-15% of the urban population in Tanzania has the opportunity to use a sewerage system. Waste practices in Tanzania are very basic, with pit toilets and latrines. Only 62% of

the population has access to improved drinking water sources, this means separating drinking water from wastewater. 47% of the population has access to improved sanitation facilities. 44% suffers from lasting starvation. The first cholera outbreak in Tanzania was reported in 1974. There have been a lot of outbreaks since then, for example in 2006 there were reported 14297 cases, and these were including 254 deaths. (Collin, 2015)

In 1994 Tanzania generated 39 236,7 metric tons of greenhouse gases, and the number is most likely higher now because of the increases in population and reliance on agriculture. Agricultural products include coffee, cotton, corn, wheat, tea, tobacco, fruit, vegetables, cassava and livestock. Of all the emissions agricultural emissions accounted for 76%. Inside this sector, enteric fermentation accounted for 40% of emissions, agricultural soil 38,6%, prescribed burning of the savannas 9,6%, rice cultivation 7%, field burning of agricultural residues 2,3%, and manure management 2%. Oil and electric production and consumption per capital are relatively low. Energy emissions accounted for 18% of all emissions. In this sector, transport accounted for 24%, energy industries 7%, construction 6,5% and the other remaining 61% of emissions were from other sources. Industrial emissions accounted for 1% of all emissions and 99% of this were mineral products. The waste emissions accounted for 6% of all emissions, of this 84,5% was in conjunction with wastewater handling and 16% with solid waste disposal on land. (Collin, 2015)

#### **4.1.2 Zanzibar**

Lying 35 km off the coast of mainland Tanzania, the Zanzibar archipelago is one of Africa's best-known and most enticing destinations (Finke, 2003). Every day Zanzibar City generates 200 tons of solid waste and less than half of it is collected. From there, it is brought to uncontrolled landfill or illegal sites. It is estimated that between 9000 and 12 000 m<sup>3</sup> of liquid wastes is disposed in the ocean per day. Zanzibar City has 25 km of sewer pipes and all the sewer sludge is dumped in coastal mangrove forests. Maruhubi is one location where high tides and mangrove forests are used to discharge sewer sludge. (Collin, 2015)

#### **4.1.3 The Economy of Tanzania**

Information from USAID (2016) says that the democratic republic of Tanzania has 44 million residents, with an average annual gross domestic product rate of 6-7% over the past decade. Despite of the economic growth, the rate of poverty has only decreased 2% and the number of people below the poverty line has actually increased due to the population growth. The human

development indicators remain low. 34% of the population is below the income poverty line and in some regions, as much as 57% of the population is unable to meet their basic needs.

Agriculture is the most important part of the economy. It contributes with close to 26% of the GDP and employing 75% of the labor force, with women contributing more than 75% of the labor. Tanzania is a net importer of rice and with developed harvests; it could satisfy increasing domestic and regional demand. Tanzania is also largely self-sufficient in its main staple crop, maize, but it still faces losses in some years because of unstable weather and low yields. The credit squeeze because of the global financial crisis was critical in the agriculture sector of Tanzania. Restricted financial resources, weak infrastructure and reduced policies have not provided incentives to improve the agricultural sector. Only 9% of the population in Tanzania has access to formal financial services and only 4% has received a personal loan from a bank.

#### **4.1.4 Development challenges in Tanzania**

As discussed by the World Bank (2016) some of the central challenges for Tanzania involve improving the business environment, improving service delivery to build a healthy and skilled workforce, addressing infrastructure bottlenecks and increasing agricultural productivity and value addition. The youthful labor force is growing by circa 800 000 each year and the country needs to increase private sectors role in employment creation for them. Recently Tanzania adopted the Big Results Now program, which focuses government exertions on rushing delivery of certain priority results, with a main importance on leveraging private sector investment. The government plans to add a new result area focused on decreasing maternal humanity and improving nutrition standards throughout the population.

## **4.2 Today's situation regarding the waste management**

According to United Nations (2011) the last years' waste management has become a serious concern in Tanzania, due to the limited sorting at source and improper storage, gathering, transport, dealing and final disposal. This leads to that a significant proportion of the generated waste end up in the environment in an unacceptable way of removal emphasis environmental and human health risks. The waste management problem is more visible in densely populated settlements, where 70-80% of the residents live without necessary infrastructure and social services. As a consequence of this, over 70% of diseases attended in health facilities in the country are water and sanitation related.

On the island of Zanzibar, it is generated over 96 000 metric tons of waste a year and this amount is increasing with almost 15% each year. Because of lack in policy and absence of access for hotels and community to proper waste management, almost 200 000 kg gets dumped into Zanzibar's environment every day, polluting the environment and leads to serious consequences to the residents' health and also to the tourism industry. It is so bad that in a survey undertaken by the Royal Institute of Technology, (Sweden 2013) four out of five tourists answered that they considered not going back to Zanzibar because of the waste problem. Almost 52 000 tons of waste is made outside of Stone Town (Feasibility Study Conducted 2005, issued by The Zanzibar Municipal Council ) where the tourism industry stands for 30% and as the municipal service only covers Stone Town, the majority of this waste is illegally dumped in and around hotels, villages and beaches. In a new analysis of informal dumpsites in the North District, more than 30 illegal dump-sites holding waste from the hotel industry was found. There was found sensitive customer details and credit card information among other hotel specific waste. (Alfredsson, 2014)

## **4.3 About Zanrec and project waste management**

### **4.3.1 Zanrec**

Zanrec is a professional waste management company that was started in 2009 by Fredrik Alfredsson, Erik Gulbrandsen and The Rylander Foundation. The company is located on Zanzibar in Tanzania. In cooperation with local government and communities of Zanzibar the company has established a full-scale system that gathers and recycles waste. Zanrec will constantly try to develop the recycling system, and also the system's social, environmental and economic performance. The ambition of Zanrec is to develop a resilient eco-system for all waste management on Zanzibar, and they want to include everyone in this, from local communities to private and public sectors. The overall ambition is to work for a zero-waste eco-system that also makes Zanzibar self-provided of green energy (Zanrec, 2014).

The company values consist of three principles in its daily actions; freedom, justice and commitment. That means that the employees will have the opportunity to fully use all of their talents and demonstrate justice to each other and partner organizations, and they will also have freedom to inspire, help and allow other employees to grow in information, talents and parts of responsibility. Zanrec considers that all people are equal and have the same needs. They also believe that every individual has the right to be respected regardless of their social

status, age, religion or physical condition because all people are equal under the law (Zanrec, 2014).

#### **4.3.2 Zanrec's project regarding waste**

The vision of Zanrec is to run the continuous development of a greener and more environment friendly Zanzibar with a model that is replicable to other small island states. The mission for Zanrec is to create a sustainable economy around waste that can ensure a green and clean Zanzibar together with the customers of the company. They also want to protect and improve the natural ecosystem of Zanzibar and with controlled waste management they decrease pollution. Because of this the growing tourism economy becomes even more sustainable and that a growing number of people can get an income from waste-related business opportunities. Zanrec wants to recycle as much waste as possible (85%) to improve the environment on Zanzibar, and they will also make the residents aware of the importance of recycling and good waste management (Zanrec, 2014).

Zanrec actions will be carried out in a maintainable way with a convincing focus on raising positive influence for the natural environment. Their goal will among other include finding future solutions that are eco-friendly. In general, there should be a general environmentally friendly approach both in the local ecosystem, and also on a global scale, especially in regard to climate friendly solutions. Zanrec also wishes to take responsibilities in research and assist with education within the field of ecofriendly science on all educational levels (Zanrec, 2014).

#### **4.4 The development of the Company, Management and Board**

In 2008 Fredrik Alfredsson wrote a paper about recycling. He decided to do something about the problem he identified and he therefore started Zanrec in 2011 together with Erik Gulbrandsen. At that time Alfredsson had to ongoing project, but in 2014 he left the project that develops spa-products just to focus on Zanrec. From the respondents I have talked to, Shabbir Adamali is the one with the longest commitment to Zanrec. He signed up on a website, a year and half ago, that requested employees for Zanrec and headhunted people with experience back to Zanzibar. He is now in charge of the employees. Pontus Engström and MTI got interest for the project during spring 2015 and invested that summer. Leif Carlzon joined Zanrec 6 months ago after hearing about the project in his son's birthday party.



Today the Board consists of Alfredsson and Guldbransen who have the majority of the shares, Engström which is investor and Carlzon who is a working director. Carlzon is an executive chairman, when he came into Zanrec 6 months ago there was a small business, and there was a lot of work to get the company organized. Zanrec was hit by liquidity problems at that time. The Board is now a team that works together and after Carlzon's entry there has been a lot of focus on orderliness. Carlzon serves as a coach for the rest of the board because of his experience. He has 40 years of experience as a manager and also does leaderships training. He does not want anyone else to do the same mistakes he previously has made and the experience and knowledge he has is very important for Zanrec.

Zanrec started to work with customers in 2012. They travelled around and knocked doors. 95% of the customers Zanrec contact by them self, the other 5% made contact with Zanrec because of what they had heard of the company. Zanrec make contact with the hotels directly and writing appointments. Eventually all of the hotels in Zanzibar is the goal, that is 70% of the market. Today they have 15-20% of the market. The first customers that signed the agreements are those who cares about the environment and want to make a change. Zanrec tries to make deals with the biggest hotels, because that will be the most effective for the company. The cost will be less per car and they are less sensitive to price.

It is a requirement for trash arrangements in Zanzibar. There are many potential competitors, but they "cheats" in the way that they dump garbage in the nature and do not think of recycling. Because of the recycling the services Zanrec provides become 3-5 times more expensive than the others. Zanrec has a philanthropic vision and is committed to do things correctly. All of the employees have to wear a uniform and the company focuses on high quality. Zanzibar as a tourist place fighting against Maldives on getting tourists, so they should focus clearly on the garbage problem. It is registered around 300 hotels in Zanzibar, where only 200-250 are operational.

#### **4.5 How the company is using management control system**

The situation today is mostly running the business from day to day without too many control systems. If Zanrec want to have the revenue of 5.1 million that they hoped for, it is clearly that they have to introduce others and stricter controls. Control systems that exist today are those Engström and MTI have tried to implement after they joined Zanrec a year ago. When

they came in to Zanrec they gave the old systems the benefit of the doubt and did not change anything. After six months without Zanrec delivering, MTI did immediate changes. They started with introducing bonuses, reports, board meetings, cost savings and also pushing for more focus on profit and sustainability of the business. There are board meetings that captures things that do not work and have to be done in other ways. It is also made an agreement for the CEO to follow. In this agreement there is a paragraph that says the CEO must be present at Zanzibar most of the time and there is a discussion whether Alfredsson has maintained to this or not. The owners' directive is a document that tells what the owners want for the company and for a control measure this has been quite worthless.

Another control system is a list the drivers bring to the hotels when they are collecting waste. Every list is divided into different types of waste, glass, plastic and they note down how much waste they pick up. This list is filled in to a software back at the office and each month they give a report to each of the hotels on how much they are producing. In this way Zanrec do have a certain control on the results they are producing. According to social responsibility Zanrec wants to reduce the plastic produced.

The level of education is so low among the employees that are not working in the administration. They are not being thought in school how to behave, the codes and ethics. There have been situations where the employees got paid and never reported the money to Zanrec and it has also happened that the employees have stolen petrol. The cultural differences are an everyday challenge. Zanrec have proper codes for the company and because of these problems the employees have to sign an agreement before they start working for Zanrec. The agreement is in both Swahili and English, and they read the agreement for those of the employees that can't read. The employees that have been confronted with that they are stealing, but mean be themselves that they are not doing anything wrong. They are answering that they are just helping people who ask them to remove garbage and get paid for doing so. It is difficult for the management to know if the employees are innocent or if they are just playing a trick and actually attempts to steal from the company.

#### **4.6 Changes in Management Control Systems**

Zanrec has conducted three major changes. A year ago they had to let go of many employees. Six months later they had to downsize one more time and now they have terminated

employees again. Today's management have high demands for high salaries, because of their international experience. They have tried local hiring of staff but it did not work. Right now the salaries at Zanrec are fixed, but the employees are aware of that there will be changes in their salaries as well. In January the CEO went from fixed to result based salary and that is also what will happen with the rest of the employees. A certain percentage of the salaries can be bonus if Zanrec is achieving their goals. It has not been like this before but it will supplement the labor costs of Zanrec. Over time the employees have decreased their salaries. Those are the lowest paid receive \$ 100 per month, but they have in addition allowance. The CEO earn \$ 3,500 per month. Top management has \$ 2,000. The rest have around 300-400 dollars per month. The salaries are above average compared with the standard in the country and additionally Zanrec pay payroll tax. Today there are approximately 36 (28) fulltime employees, previously, there have been 40 of them. In addition to those 36, there are 5-6 temporary employees which are called when needed. All of the employees have to fulfill all of Zanrec's requirements, like ex. Clear certificate from the police and they also need a driver license for trucks.

The employees of Zanrec are 90% local. The rest is born in Africa, but considered as foreigners. Zanrec get most of their employees by recommendations, but all of the them have to apply and there are interviews, contract and a proper procedure that has to be followed. They also need a letter that shows good behavior. The employees are aware of the economic situation at Zanrec and also that the company have taken some steps that high-level employees are having reduction in salary. Hopefully the employees will get motivated of the bonus, when they know about the situation, rather than getting fired.

There is still no optimal operating of the firm. It has always been said that they will work hard to achieve the break-even point. In the beginning it was very ambitious and tough plans, but the board and investors have always been confident that Alfredsson will complete these plans. Alfredsson also justifies very well that he would be able to have a salary of 40 000 NOK per month, which basically suggests that he believes in the project. In the end of 2015 the board and investors realized that it would be difficult to achieve the goals. The board requested that Alfredsson had to cut in his salary. There had to be a dramatically cut in the costs. It was no longer credible with such high salaries. Zanrec also had a loan to a company called Rylander Foundations. The investors asked to redo the loan into shares, since then Zanrec will not have

to pay this money. It was succeeded, instead of having it as a loan it was transformed into a shareholding.

MTI got a shareholder agreement which give them 50/50 control of Zanrec, when it comes to management control. The vote of MTI is worth as much as the founders. What has emerged now is that Zanrec have not achieved their goal, they are actually 70% away. Zanrec continues to promise that they will reach their goal, but the situation today is that if they do not earn more money they will be bankrupt. After six months with just promises and no actual result, this lowers the confidence of the capabilities for CEO. MTI have not lost their money; they still do have a claim in loans to Zanrec.

The last six months there have been dramatic changes for Zanrec. The employees have noticed that there are higher demands on the system and structure, and they have also observed that there is a focus on cost savings. They also have increased their sales by 50%. The salary of the company is relatively high, this is because there are workers with Western experience and they clearly have higher expectations for salary. So, one can again discuss whether they contribute as much and works as effectively as the local would for the same salary. The employees have not been paid on time and several have left Zanrec voluntarily. There have also been problems with employees who have received money for completed assignments and not given money to Zanrec. This have led to police reports and happens because of culture and honest sake differences between Western countries and Africa.

Zanrec have access to three trucks, two of them runs every day and the last one is used for garden waste and run two-three times a week. There is also a fourth truck, it is outsourced, but completely controlled by Zanrec and they can use it when the season is high in Zanzibar. The company owns one of the trucks and rent the other ones. Each truck has one driver and four people working. One can make the trucks a little more efficient and overcapacity should be exploited. It must also be possible to cut the number of employees, when working with 50% covering. It is only half of the rooms Zanrec deal in respect to what is the goal.

They have already got rid of a rental car they had before and the only place it is now possible to save costs is the staff. Zanrec take good care of their employees. According to the law in Zanzibar pregnant women shall be getting paid in 3 months when they are off work, but Zanrec has given them paid for 6 months. Earlier Zanrec gave all the employees lunch when

they were at work, but they had to make a cut there so now it is only the employees who are running the trucks that get lunch. It is considered to cut more in salary in terms of management. Those who drive the trucks and pick garbage generates value for the company and it is not desirable to cut in their salaries. If they are going to cut more, that will have to be in the administration.

One of things Adamali has introduced to the company is an open-door policy, this because of his experience in other countries. They do not need an appointment to walk into his office, in this way he wants to avoid certain misunderstanding and gain trust among the employees. Zanrec are trying to create more jobs and educate people. Last week Adamali convinced one of the business people at Zanzibar to buy a shredder for the plastic. One ton of plastic is worth 400 000 shillings, which translates to 193 dollars and if you sell shredded plastic in China you will earn 650 dollars. The residents of Tanzania have to be convinced, but this business man bought the shredder and will start this business immediately. Zanrec is now 100% sure of that all the plastic will be shredded and exported to China.

It is quite normal at Zanzibar that the police stop trucks and cars asking the drivers to pay them. It happened that the police have killed the drivers and taken the trucks. The employees of Zanrec has been told not to pay the police because that will not follow norms or the company's ethical guidelines if they did. Adamali wrote a letter to all of the police stations and told about Zanrec, that they pay a proper insurance and pay all the taxes. He had to explain everything properly to get the police on their side. He told them to not disturb the drivers and that they have been told not to pay the police, but also that Zanrec is helping the environment on Zanzibar and besides help reducing cholera. At first the police got upset and was not into the idea, but eventually Adamali got calls that said the police were appreciating his letter and that they accept it.

Engström received an E-mail from one of the salesmen at Zanrec because the management had tried to decrease his salary and he had decided to quit his job. He has a salary of 700 dollars, while Adamali has 3500 dollars. The difference in salaries is defended with Adamali's international experience. This salesman does a good job, he is also educated and got a MBA. If his salary is decreased, he will be unmotivated and not willing to sell more than he has to. It is important to keep employees like this because they are earning money for the

company. The right thing to do would be to raise his salary to make him keep up the good work. Zanrec have had the chance to sell, but they have not done it and it will be consequences. Because Zanrec need to keep this salesman, Adamali and the rest of management came up with a good idea. If he can do a little bit of administrative work and do the sales at the time they can keep his salary almost at the same. Reduction on maybe 8%.

The company is getting more clients now and they are working very hard to reach their targets. If they reduce the human resource, it will affect their services. They have discussed with the employees, during two-three meetings. They were convinced that there is hope and that Zanrec will come out of this situation eventually. This month they have reduced a lot of cost for salaries. They also had two rental cars and now they only have one. Adamali will not reduce the salary of the people who pick up the waste. They make 110 dollars a month, which is not much but compared to Tanzanian standard it is significant. He thinks this will go against the ethics of the company and had to convince the management to keep these salaries. He also thinks the employees are really good and understandable because they came after a meeting and said that they were willing to reduce their allowance with 15 cents per person. Zanrec pay retirement funds and health insurance, which is not common in Tanzania and this is probably the reason why the employees are being so understandable and still want to work for the company.

#### **4.7 Planning**

Zanrec use two different pricing models. One of them has a concept of price per room which means they take a price per room they collect garbage from and the other one is a price fixed model which means that the hotels pay a certain price, regardless of how many rooms it will be picked up trash from. There are only two hotels that pay by how much waste that are being picked up. The other hotels pay a fixed price at 18 dollars per room for a month.

The ambition today is for Zanrec to become financially stable. Currently they have 825 hotel rooms and lose money on every service they provide. They will start making money when they reach 2500-3000 rooms. Alfredsson have divided the strategy into long term and short term. The short term perspective is 6-12 months, and during this time he wants to make Zanrec financially stable. Earlier this short term goal was getting from 2200 rooms to 2400 rooms throughout the year, but now it is reaching a financial number. Previously the goal was

to reach breakeven by the end of April 2016 and now that date has changed until the end of this year. The long term perspective, when Zanrec is financially stable, is to find other services like for example solar expansion. Alfredsson hopes that when Zanrec reach the break-even point they can start with other things, like finding new products and services.

Zanrec has no competitors in the market if you think of the quality they are producing, but there are other companies that also collect garbage. Zanrec transfer the waste and separate it, what is organic and what is not. They also have compost. 25% of the garbage Zanrec collect is dumped, which is a small amount compared to the other companies who dumps everything in the nature.

#### **4.8 Reporting and monitoring**

During the interviews it was revealed that Zanrec do not have that many control systems, but they do have some. They use the document to report back to the hotel how much they are producing, which is mentioned before. Another certain control regarding accounting and also to avoid corruption is that Zanrec never use cash, the employees get a check that is paid directly by the bank.

Alfredsson approves all of the contracts and he also gets feedback directly from the customers. Mostly they are happy about the services Zanrec provides, but he has had some complaints about the employees and the price of the services. Each employee has their own set of CPI and measures and it is expected that each one of them is willing to work against what is expected of them. Adamali manages the employees and he is also the one who sets up the CPIs for the employees and compares the results to what is expected.

There are meetings once a month in which it is presented a forecasts for the board. This is reported to management. There will also be presented a report from the CEO and a report on the financial status of the firm. The board reports to the owners, but often Alfredsson is being asked to report to the owners by himself. There are a total of 7 shareholders, two of them are companies Alfredsson own, one of them is an investment company and is 100% owned by Alfredsson. Zanrec do have weekly meetings were they discuss status and forecasts with the management and employees.

Before Carlzon came into Zanrec there was not that focus on cash-flow, but he has tried to make them think more in a long term perspective. If they know they have to borrow money, they will have to think of this 4-5 months in advance and also submit a forecast. They cannot think of this the same day and still have a satisfactorily cash-flow.

Adamali have meetings with the employees every Monday. Together they analyze every department and operation in the company to see if there is anything they can do different to cut costs. Lately they have been focusing on how they can save money on gasoline expenses by changing route for the trucks. They are also looking for places where they can leave for example glass for a week and then come back and pick it up for supply to the people that recycle glass, in this way they will save a lot of gasoline because the trucks will be lighter and use less gasoline. Adamali takes this very seriously and know they have to save every penny because of the tough business.

## **4.9 Challenges**

Throughout the interviews there was revealed several challenges. Among the most critical ones for Zanrec, at this point, is the agreement with the North District. This agreement is extremely important to get the business up and running. Every meeting is critical and it is very important to focus on every single meeting. If they do not raise the number of room drastically there will be no further operation in Zanrec.

There have been some circumstances that makes it more difficult for Zanrec. As an external event there is the political election in Tanzania. There is a possibility that this will ruin the plans for Zanrec because the agreement with the North district is becoming much more insecure. Whether politicians have written agreement with exclusive rights, it may become worthless with new politicians. The politicians are very positive that someone is working on waste management, but they are not willing to pay or provide any form of support. To avoid this the agreements should have been signed before the elections and it may seem like Zanrec did not analyze their threats good enough. They should have closed all the deals before the election.

Another challenge is that the customers are not willing to pay what Zanrec need to maintain daily operations. There has already been downsizing, but still the management is expensive. The hotels pay a fixed price in advance and there may be a big difference in what price hotels



pay. Zanrec is never going to get an agreement with hotels that have 2-3 stars, while those focusing on 4 and 5 stars are often more concerned about quality and reputation externally. Customers must be willing to pay for the product offered. Carlzon explained this with a very good example; if you have two different cars like Dacia and Tesla. They both have four wheels and a steering wheel, one of them is quite more expensive than the other, so the customer must prefer other qualities to choose one above the other. In this case Zanrec is the Tesla and the existing garbage scheme is the Dacia.

In the company model Zanrec are using they do not have direct contact with the decision maker. This causes a lot of unnecessary time spent, because it often takes a long time before it comes a ruling from the hotels if they want to participate in the project or not. Adamali told about a negotiation with a potential customer. He had three meetings with the management and owners and they agreed to start with the services Zanrec provides, but then again a while after the last meeting they informed Adamali that they would continue with what the services they already are using. This potential hotel charge their visitors with 258 dollars per room per night. Zanrec is only asking 60 cents a day per room, but still this hotel want to continue with the service who pick up the garbage at the hotel and throws it in the bush. In cases like this Zanrec is wasting a lot of time and unnecessary resources.

In Tanzania it takes much longer time if you go by the proper channels. Sometimes if you give someone rights or money, they can fix things during one day, but if you are doing it properly it may take three months. Zanrec are totally against bribery and corruption. They are very careful and have never paid people to make the processes go faster. Even though they have had some situations where the employees have taken the money in their own pockets, they have acted responsibly and reported these employees to the police and fired them from the company.

When an exclusive agreement did not go in order, Zanrec ended up with an income 15-18 000 dollar lower than what was hoped for. One of the biggest expenses for the company is their loans in Africa. These loans have an interest rate around 12%, which is pretty much compared to what is normal in Scandinavia. Their expenses are very high relative to earnings and they need a new agreement. The CEO is hopeful about new agreements and already deals with a couple of big deals. He also thinks there will be difficult to sell the company as a whole, but thinks maybe someone possibly wants to buy parts of the company.

Another challenge is that during April and May there is rainy season at Zanzibar and half of the hotels are closed. Alfredsson has used this as an excuse not doing business, but the way investors see it is that half of the hotels are open and he need to work on them. There is still income in Zanrec and there is desirable to cut the cost so they can reach break-even on existing volume. The strategy now is in a way gas and brake, in terms of more volume, but maintain to the goal. Zanrec will get a huge challenge if the investors stop founding them. They need to reach their targets and convincing the hotels to sign agreements otherwise there is a possibility that investors will lose confidence and withdraw from the project.

# **PART 5: DISCUSSION AND CONCLUSION**

## **5.0 Outline**

In this last chapter the conclusion of this study will be presented by answering the problem statement and there will also be presented several suggestions for further research.

## **5.1 Discussion**

Zanrec has a process that can be used in relation to the garbage handling. It is a very big process around this industry, but the concept Zanrec has come up with is very good. There are some competitors in the market, but they do not have the same processes as Zanrec. In cases like this, to gain a competitive advantage, good leadership and staff which are the essential for achievement of success.

As mentioned before Zanrec do not have many management control systems, but they do have some. They have monthly meetings with the board and registration scheme for the waste, which is a short of result control. The gasoline card, bank checks, employee agreements and weekly meetings with the employees are action and personnel controls. As mentioned in the chapter of theory incentives are meant to motivate the employees to achieve the organizational targets. In Zanrec all of the employees have fixed salaries and their salaries are above the average salary on Zanzibar. High salaries like this do not motivate the employees to work harder, because they are aware of the economic situation and that their salaries will not increase and also because they know they will not be better paid elsewhere. This year the CEO had to change from fixed to result based salary. This form of salary does motivate to achieve what is hoped for. Hopefully Zanrec will change all of their salaries to result based. They have introduced bonus scheme and the employees are aware of that they will receive a bonus if they reach their target, unfortunately their salaries already are too high and it seems like they are not motivated of this bonus. The management control is very bad at Zanrec and it is what the investors and board are trying to work on. The management has not been good this fare and neither have the management control systems.

It is bad management control systems. The CEO had fixed salary when he was hired, but had to change to result based from January this year. Result based salaries are supposed to motivate to achieve desired results. All of the employees have had fixed cost, this is not good

in the start-up for a company. Result based salaries depends on the results, if the results are lower than expected so will the salaries be. Hopefully it will change so all of the employees get result based salaried from now on. There was an interview with SvD Näringsliv in 2014 where it was said that during that year the numbers of employees will increase from 33 to 60 (Tuvhag, 2014). The same year Zanrec had to start downsizing and the company has never had over 40 employees. As an CEO Alfredsson is very ambitious, energetic and he has high belief of the project. It seems like Alfredsson has that high belief in the project that he is giving out the information he hoped would be real, but is not. In addition to daily operations, he is doing consultancy services in Nigeria on waste management and he is also thinking of developing other services. The investors and board has told him several times to focus on Zanrec and get the business up and running. Zanrec do not have capital, knowledge or resources to do anything other than what they are doing. Solar energy is a completely different industry that requires completely separate service department and that is not included in the financial plan for Zanrec at the moment. Carlzon has experience with this industry from another company. He believes Zanrec must succeed completely in one market before it will be possible to develop new services. At this point there is not possible for Zanrec to think of solar energy.

Another thing that is contradictory is that during the interviews it was revealed that Zanrec wants to reduce the waste and plastic on Zanzibar, but according to their price model two of the hotels pay by how much waste that are being picked up. In other words, that means Zanrec will lower their income if they actually manage to reduce the waste on Zanzibar.

It is going to be a shaky situation in Zanrec the next months. They are all sure of that the management control systems they had in the beginning did not work. They have not reached their target and the company is not going in the right direction. The salaries seem to be the most critical point for Zanrec. It has been too high and should have been based on the results from the beginning. They should also have done something about their costs. It is quite normal that the costs are higher than the income in the beginning and startup of a company, but when the increase in their income did not happen they should have cut the costs immediately. Lower wages, lower costs. If they have had lower costs, maybe they would not have ended up in a situation where they are out of money.

Engström have received emails from (former) employees who have complained because they think the CEO do not have control at all. Either the board, investors or employees thinks he have done a satisfactorily job and is it possible to say that they have failed regarding to the competence of the CEO. Alfredsson has signed an agreement with MTI that says he should be present at Zanzibar most of the time. He has not fulfilled that agreement and that may also be the reason why employees feel that he has no control. He is not there to see what is happening every day, but Adamali is. In terms of Alfredssons absence, there may be a possibility that Adamali could take over the daily operations. Adamali means that you cannot be a nice person all the time. One of the things he has been discussing with Alfredsson is that Zanrec has to be tougher with the hotels, like for example by informing their travel agents that the hotel does not recycle. There is a lot of people from Europe and Scandinavia, which are very conscious about recycling and human rights. He wants to inform and be a little aggressive to the hotels, meaning that they will not take no for an answer because the solution they find for their waste is not good.

Adamali have experienced in a lot of companies in Latin-America, with revenue of 200 million dollars, that it is not good to reduce the salary drastically. Major cuts in salary creates a poor environment, the employees will start looking for other jobs or take part time jobs because they have to pay for their monthly expenses. He thinks a reduction of 3-5% is acceptable, but 10-25% is drastic. Adamali thinks the suggestion from the Swedish management about reducing salary was very hard to accept. That again may lead to problems, because the salaries are almost the only costs Zanrec got right now.

Zanrec really need to cut their costs! They should have reach break-even in the end of April, but instead they are losing money on every customer they have. Almost 20 000 dollars each month. There is a possibility to make the trucks more efficient, but there is not that many cost reducing alternatives. Zanrec have some financial costs that is very expensive with their interest rates, but there is not much they can do about this. It is very hard for Zanrec to get loan from others now because of their economic situation. They have one office and owns one truck and the hotels purchase the barrels themselves. Alfredsson thinks the truck personnel is very effective and deserve every penny they get, while the managements is not quite as effective. Management consist of 7 people; these are the ones with highest salaries. All of them get fixed salaries.

The only thing they can do is to downsize their staff or salaries. They have already been downsizing three times and still they have too high costs and need to make changes. Alfredsson is the most expensive employee at Zanrec and compared to what he has achieved during his time as CEO he has to make a choice. He could continue at Zanrec but then he need to cut his salary drastically and just keep focusing on Zanrec or he can quit his job as CEO and let another person run the company. Zanrec cannot continue with an unexperienced CEO that is not present at Zanzibar right now. Hopefully Adamali is very competent because of all his international experience, maybe it is time to let him run the business.

Most people are familiar with the tiring process of changes and the last couple of months it has been a lot of them in Zanrec. This is very stressful for the CEO and also the organization. The last 6 months they have got 50-150 rooms per month, which is a much slower raise than was hoped for but it goes forward. MTI has laid a new roadmap, which is less optimistic than before but in the long run it will generate profit.

## **5.2 Summary and conclusion**

After Carlzon and Engström joined the project there have been a lot of huge changes and hopefully the company will turn out right. What happened in Zanrec between 2011 and the beginning of 2015 is somewhat vague, but it does not seem like it has been so much operating in the organization. Everyone that is involved in Zanrec believes that it is possible to reach their target, although everyone has different time perspective. Zanrec follows ethical guidelines that are common in western countries which also delays the project as Carlzon also has experience in that it runs very slowly in Africa. The investors have sent a proposal for reaching break-even in one year, but they are prepared that it will take a bit longer.

The company was started together with Rylander Foundations. They had a philanthropic view and were not focusing on results but in the end of the day they also want the company to survive. MTI have a profit and sustainable business focus and after MTI invested Zanrec went from no management control systems to several control systems. This resulted in an increase of sales with 50%. Every hotel in Zanzibar needs that their garbage will be picked. Zanrec have to convince all of them and sign the agreements. If they want to reach break-even they have to lower their costs and increase their sales. It is taking too much time and they cannot

continue like this. It is possible that they have reached the top and need to stop their business here. They have tried, but it will not work out without any changes. If they continue to operate like this there will not make any difference if the investors invest more. There is possible for the company with a gain, they have a good business idea and vision. The only goal now is to get the business up and running. For answering the hypothesis of this master thesis; *Changing from philanthropic- to profit-seeking owners leads to more focus on management control systems*, there is most likely that there would have been another situation in Zanrec if they have had good control systems in the start-up of the company. The control systems that are mentioned in this thesis is most common in developed countries, but the management at Zanrec has said several times that they are following western business models so that should not be a problem. The problem is that their employees are not used to this and there is a need for closer monitoring. In this case the hypothesis will be true because the company most likely would have been more successful if they have had good management control systems.

Regarding the research question the answer depends on the focus of the owners. In this case the company changed from philanthropic owners to profit focus and this lead to a change in the management control systems from almost non to several and also an increase in their sales. The company have had management controls all the way, but it is clearly that the management control systems the company did have in the beginning did not lead to a successful business. In a company like this it is very important with good action controls because the local employees are not aware of the traditions in the western countries. Zanrec have implemented several action and personnel controls to influence employees to act in a way that is expected of them. They have always known which results are expected, but not executed the changes that should have been made for this to be possible in desired time. The expectations for the company after the changes is made is that they will start making profit.

### **5.3 Suggestions for further research**

This thesis has looked at the management control systems that are being used at Zanrec. The researched is based on information from a few respondents. To get a better understanding of the use of management control systems at Zanrec it would be interesting to interview more respondents as well as to compare the management control system used at Zanrec with those that are being used in other companies within the same industry. This probably would have

given a deeper insight in which management control systems that leads to success and which is not.

Moreover, it would be interesting to conduct a new case study of Zanrec in a few years to see if the changes that has been made the last couple of months have had an effect. When the interviews were conducted the situation at Zanrec were critical and they needed to do some changes to continue further operations.

Furthermore, it will be very interesting to conduct a study on how Zanrec and their project have affected the environment on Zanzibar. If they have succeeded to recycle 85% of the waste or if it is still dumped almost 200 000 kg of waste in the environment every day. If Zanrec do not manage do continue with their daily operations, it will be quite interesting to do a study on how or if they have affected residents and hotels understandings of recycling.



## REFERENCES

- Alfredsson, F. (2014). Making waste work on Zanzibar. Retrieved from <http://www.zanrec.com/#!/impact-information/clt.tif>
- Anthony, R.N (1965): *Planning and Control Systems: a Framework for Analysis*, Division of Research, Harvard University Graduate Business School of Business Administration, Boston.
- Anthony, R. N. & Govindarajan, V. (2007). *Management Control Systems* (12th ed.). Boston: McGraw-Hill Irwin.
- Beer, M. & Katz, N. (2003) Do Incentives Work? The Perception of a Worldwide Sample of Senior Executives. *Human Resource Planning*, 26(3), 30-44.
- Berry, A. J., Broadbent, J., & Otley, D. (2005). *Management Control - Theories, Issues and Performance* (2 ed.). New York, USA: Palgrave MacMillan.
- Blanchard, K.H., Carlos, J.P. & Randolph, W.A. (1999). *The 3 keys to Empowerment*. San Fransisco: Berrett-Koehler Publishers.
- Bonner, S.E. & Sprinkle, G.B. (2002). The effects of Monetary Incentives on Effort and Task Performance: Theories, Evidence and a Framework for Research. *Accounting, Organizations and Society*, 27(4/5), 303-345.
- Bunce, P. (2003). Blow the budget! *Manufacturing Engineer*, 82, 34-37.
- Business Week. (1982, 05.07). This is the Answer.
- Campbell, D., Datar, S., Kulpand, S.L & Narayanan, V.G. (2008). *Testing Strategy with Multiple Performance Measures: Evidence from a Balanced Scorecard at Store24*. Harvard Business School: Working Paper.
- Carenys, J. (1997). Management Control Systems: A Historical Perspective. *International Journal of Economy, Management and Social Sciences*. 2012(1), 1-18.
- Chenhall, R. H. & Langfield-Smith, K. (1998). The relationship between strategic priorities, management techniques and management accounting: An empirical investigation using a systems approach. *Accounting, Organizations and Society* 23(3), 243-264.
- Collin, R.W. (2015). *Trash Talk: An encyclopedia of Garbage and recycling around the World*. California: ABC-CLIO, LLC.
- Dzakpasu, C. (1998). Privatisation and management development in Africa, International action programme on privatization, restructuring and economic democracy. *Working paper – IPPRED-10*, (ILO- Employment).
- Farquhar, J. D. (2012). *Case Study Research for Business*. London, UK: Sage Publications

- Fehr, E. & Falk, A. (2002). Psychological Foundations of Incentives. *European Economic Review*, 46(4/5), 687-724.
- Finke, J. (2003): *The rough guide to Tanzania*. New York: Rough Guides Ltd. Distributed by Penguin Books Ltd.
- Freeman, R.E. (2010). *Strategic management: A stakeholder approach*. New York: Cambridge University Press.
- Frey, B.S. & Jegen, R. (2001). Motivation Crowding Theory: A Survey of Empirical Evidence. *Journal of Economic Surveys*, 15(5), 589-611.
- Ghuri, P.N. & Grønhaug, K. (2005). *Research methods in business studies: a practical guide*. Harlow: Financial Times Prentice Hall.
- Gripsrud, G., Olsson, U. H., & Silkoset, R. (2004). *Metode og datanlyse - med fokus på beslutninger i bedrifter*. Norway: Høyskoleforlaget.
- Hem, M. (2015.12.20). Tanzania. Retrieved from <https://snl.no/Tanzania>
- Hesse-Biber, S. N., & Leavy, P. (2011). *The Practice of Qualitative Research* (Second Edition ed.). California: SAGE Publications.
- Hoff, K. G., & Bjørnenak, T. (2010). *Driftsregnskap og budsjettering* (5th ed.). Oslo: Universitetsforlaget.
- Jacobsen, D. I. (2000). *Hvordan gjennomføre undersøkelser? Innføring i samfunnsvitenskapelig metode*. Kristiansand: Høyskoleforlaget.
- Kerr, S. (2003). The Best-Laid Incentive Plans. *Harvard Business Review*, 81(1), 27-40.
- Kohn, A. (1993). Why Incentive Plans Cannot Work. *Harvard Business Review*, 71(5):54-63.
- Kumar, J. (2004). Does Ownership Structure Influence Firm Value? Evidence from India. *Working Paper*, Indira Gandhi Institute of Development Research, JEL Classification: G32; G34, 1-31.
- Kvale, S. (1997). *Det kvalitative forskningsintervju*. Sweden: Ad Notam Gyldendal.
- Merchant, K.A. & Van der Stede, W.A. (2003). *Management Control Systems – Performance Measurement, Evaluation and Incentives*. Edinburgh: Pearson Education Limited.
- Norad. (2014). *Tanzania*. Retrieved 04.02.2016, from <https://www.norad.no/landsider/afrika/tanzania/>
- Okeahialam, C.C. & Kedsilie, M.J. (1999). Privatisation and the further development of accounting policy in Africa. *Research in Accounting in Emerging Economies*, Supplement 1, 157-172.

- Otley, D. (2003). Management control and performance management: whence and whither? *The British Accounting Review*, 35(4), 309–326.
- Pfeffer, J. (1998). Six Dangerous Myths about Pay. *Harvard Business Review*, 76(3), 109-119.
- Roberts, J. (2004). *The Modern Firm: Organizational Design for Performance and Growth*. New York: Oxford University Press.
- Ryan, B., Theobald, M. & Scapens, R.W. (2002). *Research method and methodology in finance and accounting* (2 ed.). London: Thomson Learning.
- Scapens, R. W. (1999). Broadening the Scope of Management Accounting: from a micro-economic to a broader business perspective. *Working paper*, University of Manchester, Manchester, September.
- Sekaran, U. & Bougie R. (2013) *Research Methods for Business*. United Kingdom: John Wiley & Sons Ltd.
- Shields, M. D. (1997). Research in management accounting by North Americans in the 1990s. *Journal of Management Accounting Research*, 9, 3-61.
- Smith, M. (2011). *Research Methods in Accounting* (2 ed.). London: SAGE Publications.
- Steyn, B. & Stainbank, L. (2013). Separation of ownership and control in South African-listed companies. *South African Journal of Economic and Management Sciences*, 16(3), 326-327.
- Sundaram, A. K. & Inkpen, A.C. (2004). The Corporate Objective Revisited. *Organization Science*, 15(3), 350-363.
- The World Bank. (2016). *Tanzania Overview*. Retrieved 09.03.2016 from (<http://www.worldbank.org/en/country/tanzania/overview> )
- Time. (2001, 18.06.). Lincoln Electric: Where People Are Never Let Go.
- Tjora, A. (2010). *Kvalitative forskningsmetoder i praksis* (1 ed.). Oslo: Gyldendal Norsk Forlag AS.
- Tuvhag, E. (2014, 16.11.). Så hittar du rätt personal I Afrika. *SvD Näringsliv*. Retrieved from <http://www.svd.se/sa-hittar-du-ratt-personal-i-afrika/om/naringsliv>
- United Nations. (2011). *Waste Management*. Retrieved 26.03. 2016 from <https://sustainabledevelopment.un.org/index.php?page=view&type=504&nr=702&menu=139>
- USAID. (2016). *Economic growth and trade*. Retrieved 09.03.2016 from (<https://www.usaid.gov/tanzania/economic-growth-and-trade> )
- Vroom, V.H. (1964). *Work and Motivation*. New York: Wiley.

Yin, R. (2009) *Case Study Research: Design and Methods*, 4<sup>th</sup> ed. Thousand Oaks, CA: Sage Publications.

Zanrec. (2014). *About*. Retrived 02.02.2016 from <http://www.zanrec.com/#!/about/c1erv>.

Zikmund, W.G., Babin, B.J., Carr, J.C., & Griffin, M. (2010). *Business research methods*. Mason, Ohio: South Western Publishing Company.

# Appendix

## INTERVIEW GUIDE

### Theme 1: General information about the respondents

- The respondents' role and mission in Zanrec.
- How long experience in Zanrec?
- Why do you have interest in this project?
- How did you hear about the project?

### Theme 2: The Management Control Systems

- Are the employees aware of the situation and what is expected of them?
- Which Management control systems are used today?
- Do they work as hoped for?
- How do you choose employees and what requirements do they have to fulfil ?
- How are the results reported and how often is that?
- Do you want other management control systems for Zanrec?
- If yes, which one?
- How to the employees respond to the management control systems?
- What do you think of today's salaries?
- Are you still willing to work for the company if they decrease your salary?
- Do Zanrec follow western standards regarding management control systems?

### Theme 3: Competition

- Who are the customers?
- How do you find them?
- Do all pay the same price for the provided services?
- How do you prevent competitors from taking your customers?
- Are the residents aware of the difference in Zanrecs services compared with the services competitors provide?

### Theme 4: Changes

- How were the management control systems in the beginning?
- What changes have been made?
- What is the biggest change?
- Did it turn out the way it was planned?
- Is there changes you regret or as should have been done differently?
- Do you think Zanrec need more changes?
- How do the employees respond to all of this?
- What do you think of the management?
- What do you think of the CEO?
- Is there a need for changes in management or for the CEO?
- How do you feel about the changes in your salary?

**Theme 5: Challenges**

- What are the biggest challenges?
- Are all involved people aware of this?
- What is most critical?
- How do you think the company can manage this?

**Theme 6: Future prospects**

- Has the plan been followed?
- What happens when the company reach their goals?
- What if they do not reach their goal?
- Will you continue to invest in the firm?
- Is it possible for Zanrec to provide other services?

# Refleksjonsnotat - BE-501 Master's Thesis in Business Administration

## Sammendrag av masteroppgave, funn og konklusjon.

Min masteroppgave omhandler hvordan styringssystemer endrer seg innad i bedriften ved skifte av eiere. Studiet ble utført ved hjelp av en case-oppgave hos en spesifikk bedrift. Jeg valgte å skrive om et firma som arbeider med søppelordninger og resirkulering på Zanzibar. Søppelproblemet er så stort på Zanzibar at 80% av turistene som besøker øyen ikke ønsker å komme tilbake. Hver dag blir nesten 200 000 kg søppel dumpet i naturen. Dette firmaet ønsker å resirkulere så mye som mulig, ca. 85% ved at de har avtaler med hotellene om at de skal komme og hente søplet for deretter å resirkulere så godt som mulig. Denne tjenesten er priset høyere enn hva dagens tjeneste er, men den er mye mer miljøvennlig. Bedriften hadde først ansatte med internasjonale erfaring, men på bakgrunn av lav inntjening gikk bedriften over til å ansette lokale arbeidere da de ikke har så høye krav til lønn. Det ledelsen da støtte på er kulturforskjeller fordi de fleste kontrollsystemer er utviklet og mer vanlig å bruke i vestlige land, de afrikanske ansatte er ikke vant med slike systemer. De første eierne i dette tilfellet hadde et veldig filantropisk syn, de var veldig personlig knyttet utviklerne og investerte masse penger uten kanskje å forvente å få så mye igjen. Dette gjorde at det ikke var så mye fokus på å holde budsjettet og nå salgsmål, og derfor heller ikke så stort behov for kontrollsystemer. Etter en stund kom det inn eiere med et mye mer resultatbasert syn og som også ønsket å få bedriften til å overleve i et ganske usikkert marked. Dette resulterte raskt i implementering av kontrollsystemer og bedriften begynte sakte, men sikkert å øke sine inntjening. Konklusjonen i oppgaven ble at hvordan kontrollsystemene endrer seg ved at eierskifte avhenger av hvordan syn de ulike eierne har. I dette tilfellet ble det innført mange flere kontrollsystemer ved å skifte til resultatfokuserte eiere.

## Internasjonalisering

De siste årene har det blitt stadig mer fokus på å ivareta miljøet og forhindre forurensning. Dette er mye mer vanlig i vestlige land, men selskapet som er mitt forskningsobjekt velger å forsøke dette i Afrika. Noe av grunnen til at de velger å etablere akkurat en slik bedrift er trolig fordi en del av ledelsen og eiere er fra vestlige land og ser hvor viktig det er å ta vare på naturen og miljøet. Det kan dog være noe vanskeligere å få en slik bedrift til å fungere i Afrika da innbyggerne ikke er vant til å tenke på denne måten og de kanskje heller ikke er kjent med konsekvensene all forurensningen får for jordkloden. Firmaet prøver likevel å innføre vestlige standarder i form av arbeidskontrakter, uniform og helseforsikringer. De hjelper også til å utvikle ansatte og også hjelpe lokalbefolkningen inn i arbeidsmarkedet. Det har vært tilfelle at de har fått en lokal forretningsmann til å starte forretninger i Kina for å mer penger.

### Innovasjon

Firmaet som er mitt forskningsobjekt fokuserer på innovasjon. De har kommet opp med en tjeneste som ikke eksisterer i Tanzania fra før og de er også eneste tilbyder av denne tjenesten. Som alle andre nye produkter og tjenester kan det ta en stund før markedet ser behovet og er interessert i å betale for dette. Det er i aller høyeste grad en tjeneste som burde vært pålagt og kanskje burde myndighetene i landet fått litt press på seg til å støtte dette. Politikerne i landet er veldig positive til at noen ønsker å drive en slik bedrift, men de er heller ikke villige til å støtte prosjektet. Det eksisterende tilbudet i Tanzania i dag er ikke tilfredsstillende etter vestlige standarder og landet bidrar ekstremt mye til forurensning av naturen. Produktet firmaet tilbyr er det absolutt behov for, det gjelder bare å få lokal befolkningen til å forstå dette. Etablering i dette landet er ekstremt vanskelig pga. Kulturforskjeller og mangel på kompetanse.

### Ansvar

Bedriften jeg skriver om fokuserer i aller høyeste grad på miljøet og tar et samfunnsansvar kanskje flere burde vært med på. Problemet er at det koster en del penger å få på plass et resirkuleringssystem i Tanzania og det er svært få som er villige til å betale for det. Et annet problem er at det er en del korrupsjon i dette landet og bedrifter må være veldig forsiktige i forhold til dette. I og med at tjenesten selskapet tilbyr er dyrere enn lignende og eksisterende



tjenester har det vært et problem at de ansatte mottar bestiktelser eller tar pengene de får i egne lommer. Befolkningen i Tanzania er ikke så opptatt av å ta vare på miljøet som den vestlige befolkningen har blitt med årene og det er også en del store kulturforskjeller. Det aller beste ville i dette tilfellet vært om det ble forbudt å dumpe avfall i naturen og lovpålagt med resirkulering i Tanzania. Ansvar for bedriften i min oppgave tar vil bare bli mer og mer viktig i løpet av årene som kommer. De bidrar også til å skaffe arbeidsplasser på et sted hvor det er stort behov, samtidig som de bidrar til å redusere kolera. Bedriften gir også sine ansatte bedre ansettelsesvilkår enn det som er vanlig i landet og betaler også forsikringer for sine ansatte.