

# **Impact of Misfit between Management Control System and Business Strategy on Performance**

**PA**

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## DECLARATION BY THE CANDIDATE

The work described in this thesis was carried out by me under the supervision of  
Dr. A.A.J Fernando and a report on this has not been submitted in whole or in part to  
any University or any other Institution for another Degree or Diploma.



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## SUPERVISORS APPROVAL

I certify that the declaration statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.



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7/7/2014.

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## LIST OF ABBREVIATIONS

MCS	Management Control Systems
BS	Business Strategy
GDP	Gross Domestic Product
CBSL	Central Bank of Sri Lanka
YoY	Year on Year
ICT	Information & Communication Technology
ED	Euclidian Distance
TRCSL	Telecommunication and Regulatory Commission of Sri Lanka
ITU	International Telecommunication Union
LTE	Long Term Evolution
SLT	Sri Lanka Telecom
GOSL	Government of Sri Lanka
WTO	World Trade Organization
CSE	Colombo Stock Exchange
EGO	External Gateway Operator
GSM	Global System for Mobile Communications
ADSL	Asymmetric Digital Subscriber Line
3G	Third Generation
4G	Fourth Generation
WiMax	World Interoperability for Microwave Access
HSPA	High Speed Packet Access
SBU <sub>s</sub>	Strategic Business Units

AIS	Accounting Information System
PIMS	Profit Impact of Marketing Strategy
PMC	Performance Management and Control
CDMA	Code Division Multiple Access
UNCTAD	United Nations Conference on Trade and Development
GPRS	General Packet Radio Service
IP	Internet Protocol
NGN	Next Generation Networks
IPTV	Internet Protocol Television
IDD	International Direct Dialling
SME	Small and Medium Enterprises
FLAG	Fire Loop Around the Globe
ROI	Return on Investment
CROA	Cash Return on Assets
MACS	Management Accounting and Control System
BOI	Board of Investment
OLS	Ordinary Least Square
$H_1$	Alternative hypothesis
$H_0$	Null hypothesis

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## **Impact of Misfit between Management-Control-System and Business-Strategy on Performance**

### **ABSTRACT**

In Sri Lanka the telecommunication industry is a fast growing sector and at the moment there are seven telecommunication companies operating on the island. Their performance styles are not same, and it is believed that the Management Control Systems (MCSs) and Business Strategies (BSs) adopted by them mainly affect their performance as companies. In this context, the purpose of this study is to identify how compatibility between MCS and BS affects company performances in the telecommunication industry in Sri Lanka. In order to collect data for this study, sixty-two middle-level managers in the telecommunication industry were interviewed. Further, this study draws on Miles and Snow's strategy typology and five MCS variables (performance evaluation, communication, product and market policy, commitment and compensation) and investigates how a misfit of those two independent variables impact on financial performance. Under a multi-item scale approach several ordinary-least-square regressions were done to classify the firms as defender, prospector, analyser and reactor. A system approach was adopted to measure the misfit using weighted Euclidian distance from the ideal configurations along the five MCS variables. It is statistically proven that the misfit between MCS variables and BSs has a significant negative implication about a company's performance. Moreover, it is discovered that the correlation between misfit and financial performance for critical control variables is significantly more negative than the correlation between misfit and financial performance for the non-critical variables for all types of strategies. Further, it is found that some companies have to rethink about their MCSs in order to perform well in Sri Lanka.