

Research Article

Navigating Employee Performance: An In-depth Examination of the Influences of Various Management Controls within Private Sector Banks in Karachi

Muhammad Faraz*, Salman Hameed & Syed Rizwan Ali

Bahria Business School, Bahria University Karachi – Pakistan

ARTICLE INFO

Article history:

Received: July 23, 2023

Revised: Sept. 19, 2023

Accepted: Sept. 24, 2023

Published: Sept. 30, 2023

Keywords:

Employee performance

Management controls

Quantitative approach

ABSTRACT

This comprehensive study was driven by the imperative to understand how different management control systems (MCS) – namely Personnel, Culture, Results, and Action Controls – distinctly influence organizational performance, a topic of enduring significance in the business management field. Through detailed path analysis, the research uncovers a significant positive influence of action and cultural controls on performance. In contrast, personnel and results controls do not demonstrate a substantial connection with performance. The investigation reveals that MCS can account for up to 63.7% of the variability in performance, offering critical insights into the efficacy of different control systems in shaping organizational outcomes. This study not only illuminates the theoretical frameworks and practical implementations of MCS but also enriches the understanding of their strategic significance, potentially guiding organizations to leverage control systems effectively to boost performance and fulfil their goals in a structured manner.

Copyright © 2023 International Journal of Trends and Innovations in Business & Social Sciences

Published by International Research and Publishing Academy – Pakistan. This is an open access article licensed under CC BY: <https://creativecommons.org/licenses/by/4.0>

INTRODUCTION

In the landscape of organizational management, a sophisticated blend of management control mechanisms is pivotal for steering employee behavior towards the strategic objectives of an organization. Samani et al., (2015) underscore the significance of such controls in augmenting employee motivation,

with a particular emphasis on the refinement of performance measurement and budgetary controls. These management controls are strategically employed to navigate employee motivation, and entities utilize a fundamental categorization framework based on the object of control for comprehensive classification (Su et al., 2015).

Impact of Personal Control on Organizational Performance

Delineating further, these controls bifurcate into four functional categories: cultural, action-oriented, results-focused, and personnel-based. Personnel controls are concerned with the recruitment and subsequent developmental training of suitable

*Corresponding author:

Muhammad Faraz, Bahria Business School, Bahria University Karachi – Pakistan
e-mail: mfaraz.bukc@bahria.edu.pk

How to Cite:

Faraz, M., Hameed, S., & Ali, S. R. (2023). Navigating Employee Performance: An In-depth Examination of the Influences of Various Management Controls within Private Sector Banks in Karachi. *International Journal of Trends and Innovations in Business & Social Sciences*, 1(3), 68–79.

DOI: <https://doi.org/10.48112/tibss.v1i3.646>

candidates. Cultural controls, on the other hand, aim to strengthen the shared ethos and values within the employee collective. Action controls are meticulously designed to govern and monitor specific employee actions. Contrastingly, result controls critically assess the congruence of actual outcomes with the predetermined goals (Lueg & Radlach, 2016).

The Ethical Framework of Management Control Systems

The framework of a management control system is predicated on the alignment of employee actions with the broader interests of the organization. Through a variety of instruments and protocols, managers ensure that employee behaviors and decisions resonate with the organization's strategies and goals (Perkins, 2018). The ethical dimension intertwines with the operational aspects of management control systems, recognizing the importance of ethical considerations in employee task determination and execution. Merchant and White (2017) highlight the growing acknowledgment of the ethical ramifications within these systems, which also incorporate critical elements such as ethics programs, corporate governance, performance feedback, reward systems, and goal-setting mechanisms.

The Evolving Landscape of Management Control Systems

Management control systems (MCS) are deeply embedded within the discourse of organizational control, featuring a comprehensive array of mechanisms designed to guide employee behavior in alignment with organizational goals (Ahmad & Mohamed, 2018). Nonetheless, an emergent debate suggests that traditional cybernetic controls might be insufficient for realizing objectives that surpass mere profitability (Bedford, 2015). Concurrently, the paradigm of employee incentives is evolving, with a shift towards non-monetary rewards complementing traditional compensation packages (Heninger et al., 2019). The empirical evidence on the efficacy of various rewards on performance is mixed, indicating a potential discrepancy between preferred and effective reward types (Perkins, 2018).

In defiance of the skeptical perspective on control in contemporary scholarly discourse, practical demands have driven many firms to fortify their control mechanisms, a response to increasing regulatory pressures (Ganahreth et al., 2018). This underscores a knowledge gap in understanding the influence of control-related management practices on performance and other critical employee metrics.

Recent studies indicate that, in certain contexts, formal control practices may positively influence employee performance (Martin-Rios, 2016).

Managerial Influence on the Evolution of Management Control Systems

Research on the evolution of MCS within the knowledge work sector has largely been organization-centric, focusing on variations in control practices like performance measurement, evaluation, and incentives (Verburg et al., 2018). However, there is a paucity of research on the impact of managers—who embody the change—on the outcomes related to MCS innovations (Martin-Rios, 2016). Existing literature provides valuable insights into the active role of managers in strategy implementation and their critical presence in change processes.

This investigation is designed to scrutinize the influence of management control systems (MCS) on employee performance within private banking institutions in Karachi, Pakistan.

The empirical inquiry seeks to elucidate the following pivotal question:

- How do personal controls, cultural controls, action controls, and result controls affect employee performance?

This research posits that employee performance is likely to be enhanced by cultural and personnel controls, which foster a perception of a supportive workplace environment. Conversely, it hypothesizes that result and action controls might have a detrimental effect on performance by potentially undermining intrinsic motivation due to their controlling nature. Nonetheless, it also suggests that the clarity provided by action controls and the goal orientation from result controls may conversely have a positive impact on performance.

Performance in the workplace is not an end in itself but is often a means to achieving higher levels of overall effectiveness. Thus, this study anticipates a synergistic effect between extrinsic and intrinsic motivations in enhancing performance. This research makes two significant contributions: it informs the debate on the impact of New Public Management (NPM)-inspired results through control variables in the public sector, and it enhances the discourse within NPM literature by demonstrating the potential of cultural and personnel controls to ignite intrinsic motivation among public sector employees.

While the present study is primarily exploratory in examining the nexus between performance and control variables, it also empirically underscores the

saliency of these variables as they possess the capacity to evoke various forms of human motivation, including intrinsic motivation. The findings corroborate the hypothesis that the control variables under consideration are pivotal in cultivating a workplace environment that nurtures the three fundamental needs outlined by Self-Determination Theory (SDT): competence, autonomy, and relatedness. By incorporating and building upon SDT, this study illuminates the interplay between motivation, MCS, and performance, responding to the call for further research highlighted by previous literature.

There are some limitations of the study. Firstly, the study focuses upon the organizations of Karachi, Pakistan only, which restricts the context of the study. Secondly, the sample size of the study is limited and cannot be generalized. Thirdly, the study restricted to the context of Pakistan. Moreover, the considered firms for analysis are also limited due to the lack of approach and time. Furthermore, the independent variables selected in this are limited to certain extent, due to the lack of knowledge. Lastly, the variables selected to assess the performance of the organization are limited due to the lack of knowledge.

LITERATURE REVIEW

Motivation Crowding Theory and Self-determination Theory

The dynamic relationship between extrinsic and intrinsic motivation remains a pivotal area of interest in motivational psychology. While one could consider these motivations as separate entities with distinct advantages and disadvantages, their interaction is far more complex (Lohmann et al., 2016). Motivation crowding theory offers a detailed view, proposing that external rewards or controls might actually lessen intrinsic motivation, a phenomenon known as the 'crowding out' effect. The 'motivation crowding out' concept is derived from economics, reflecting the counterintuitive effects of incentives on engagement. Contrary to the classical economic theory that equates higher rewards with more work, this effect suggests that incentives might actually undermine the inherent value of a task (Lohmann et al., 2018).

Recognizing the need outlined by Lohmann et al. (2016) to study the 'crowding-out effect' in practical scenarios, this research investigates beyond theoretical models. Given that most supporting evidence for the effect comes from inherently attractive tasks, extending the investigation to more routine organizational or educational tasks is crucial, as they may lack natural enjoyment (Lohmann et al., 2017).

This study aims to bridge this gap by examining the effect in real-world, non-experimental environments. In an investigation into how management's control types affect employee motivation and performance, Van der Kolk and Schokker (2016) utilized motivation crowding and self-determination theories. They postulated that four management control forms—cultural, personnel, results, and action—affect either extrinsic or intrinsic motivation. Surveys distributed across 105 public sector departments provided the data, which was examined using structural equation modeling. Findings revealed positive correlations between cultural and personnel controls and intrinsic motivation, while results controls were linked with extrinsic motivation. These motivations in turn positively influenced.

Integrating Ethical Practices within Management Control Systems for Enhanced Corporate Sustainability

Merchant and White (2017) explored the interconnection between ethics and management control by reviewing existing literature on the subject. They identified six key elements of management control and ethics, integrated into the University of Southern California's educational curriculum. These comprise distinguishing ethical versus unethical actions, maintaining professional integrity, promoting ethical behavior among staff, comprehending the causes of ethical failures, cultivating a culture supportive of reporting misconduct, and the practice of whistleblowing. The review uncovered numerous scholarly articles on the topic. It was particularly noted that organizations have the potential to develop a system that aligns the achievement of organizational goals with a strong ethical foundation. Embedding ethics into management control systems indicates a strategic harmony that bolsters corporate governance and adherence to ethical standards.

Current research expands management control systems to encompass overall sustainability, including environmental concerns. Guenther et al. (2016) synthesized prior studies to craft a framework that elucidates the integration of internal management motives and processes with environmental performance enhancement. This review concretely positions the concept of environmental management control systems (EMCS) within the sustainability domain, delineating its connection with related systems like environmental management systems (EMS) and environmental management accounting (EMA), while clarifying that the unique objectives of EMCS—decision-making, strategy implementation,

and employee behavior alignment—are not compromised by these relationships.

Role of Management Control Systems in Leadership and Organizational Performance

Gong and Subramaniam (2020) investigated how organizational control aspects, specifically management control systems (MCS) and performance-driven risk management (RM) cultures, mediate the interplay between leadership styles of school principals and school performance in Australia. They surveyed 106 Victorian secondary school principals and applied a partial least squares model for analysis. The study found that MCS and RM cultures significantly mediate the relationship between leadership and school performance, noting a particular tendency for private schools to embrace a performance-oriented RM culture more than public schools, thereby enriching the knowledge base in accounting and organizational management regarding the dynamics.

In the face of evolving challenges, companies are compelled to adapt, which invariably influences their operational performance. Management practices are increasingly being implemented across all levels to mitigate the inefficiencies that impede organizational performance. Ganahreh et al., (2018) sought to address the gap in literature by examining the effect of administrative control-related mechanisms on employee performance within Jordan's industrial sector. Employing a random sampling methodology, they gathered quantitative data through a survey from 2016 to 2017, involving 433 administrative staff from 63 industrial firms listed on the Amman Stock Exchange. The findings indicated a significant positive correlation between control systems, transparency, and employee performance, while administrative leadership did not demonstrate a direct positive effect on employee performance.

Martin-Rios (2016) reviewed literature on the conceptual frameworks and sense-making theories associated with management control systems. The research was particularly focused on understanding the support or resistance provided by middle management during the implementation of changes in MCS within knowledge-intensive settings. By examining case studies from a unit within an international technology firm based in the US, the qualitative analysis revealed that managers utilize collective contextual symbols to rationalize new control roles. Managers employed metaphors to navigate the variations in MCS and the subsequent

effects on their responsibilities, roles, and work identities. The study also found that individual acceptance of innovative practices and control changes were crucial for organizational adaptation.

The Influence of Management Control Types on Organizational Commitment and Performance across Sectors

Su et al., (2015) conducted a study to investigate the relationship between the usage of three different control types (including output, behavior and input) with the employee organizational commitment level (EOC) in the overall stages of organizational life cycle (OLC). Data for this study was collected with the help of a survey questionnaire that was distributed through the random sample technique among 343 general managers in the manufacturing units of business in Australia. The study used Pearson correlation matrix and the Hierarchical regression analysis technique to analyze the data. The results showed that EOC level has highest growth and this shows that the EOC level is related with the innovation level. The analysis further showed that the control types had significant association with the EOC level. Further the significant and positive relationship was revealed among the input controls and the EOC level at the stages of birth and revival in an organization.

Bedford (2015) examined the utilization of different management control systems (MCS) in various innovation modes and studied its impact on the performance of firm. This study specifically focused on the control framework levers proposed by Simons, to study how managers of top-level attempt to manage balance in the exploitation and exploration simultaneously as this asks for contradictory requirements from firms. The survey data was collected from top level managers of 400 firms. By using structural equation modeling technique on the collected data, this study reveals that there is a difference among the usage patterns and interdependencies of control levers, on the innovation mode. The investigation has revealed that there is a distinct and direct relationship between the application of control levers and the enhancement of firm performance, particularly in businesses that emphasize either exploitation or exploration strategies. The findings indicate that these control levers function in a supplementary fashion rather than complementarily within such operational contexts. Moreover, the research suggests that employing a balanced and combined approach to using control levers can create a dynamic tension that is beneficial for the organization.

The scholarly exploration of management control systems (MCS) has traditionally overlooked their implementation and design within the educational sector, particularly in schools and the local education authorities (LEAs) overseeing them. The influence of LEAs on student performance has also not been thoroughly examined. Friestad (2016) addressed this gap in the literature by investigating the application and structuring of MCSs in educational institutions and exploring their correlation with student performance. The methodology employed was a case study approach, complemented by interviews with principals and staff from three LEAs and six schools. The outcomes of this research highlighted that the MCSs, when designed with a focus on learning and endowed with flexibility in managing students and teaching practices, are positively correlated with student performance. Additionally, the study suggests that a learning-centric approach at the LEA level may act as a stand-in for a similar focus at the individual school level.

Lueg and Radlach (2016) conducted a study to produce evidence related to management control systems (MCS) that are used by the organizations to promote sustainable development (SD). The study followed a coherent research roadmap. A systematic review was conducted for this study on the basis of an initial sample collected from 12,139 sources for the period from 1988 to 2013. Then 83 empirical studies were discussed in the social and natural sciences.

Irwandi and Akbar (2015) worked on a study of behavior related to performance measurement strategy. Behavior was observed in relation with the managers' participation in the performance goals settings that are identified in financial and non-financial terms and that can create impact on the performance of managers with an interpersonal trust and with an interfering variable procedural fairness. This paper aimed at doing research with the middle and lower-level managers of all companies located in the Banten province and that are listed with the Indonesian Stock Exchange (IDX). The sample was collected from 205 managers and this data was analyzed through structural equation modeling (SEM). The results of this study revealed that the participation of managers in performance setting goals that was studied in financial and non-financial terms have positive impact on the performance and the procedural and managerial fairness. Further it was identified that the interpersonal trust has partial mediation on the effect of goal setting participation manager on the performances of managers.

Ahmad and Mohamed (2018) explored the

potential of management control systems (MCS) to enhance firm performance in developing countries. Prior research indicated that while companies in these regions often possess abundant resources, they frequently fail to leverage them effectively. This conceptual paper, through empirical analysis, sought to understand how MCS, in conjunction with resource allocation, could bolster firm performance within these economies. The study posited that the implementation of robust MCS practices in resource-rich developing nations could significantly uplift firm performance. The empirical review within the literature suggested that firms in developing countries that adopt effective MCS, coupled with abundant resources, could achieve a sustainable competitive advantage by enhancing their capabilities and performance.

Samani et al., (2015) conducted a study reviewing the impact of employees' perceived level of personal control over their physical work environment on individual satisfaction and resultant performance. In the current landscape of rapid technological advancement, e-market expansion, and evolving communication methods, workplaces are undergoing constant transformation. Literature review on existing studies showed that to navigate this dynamic environment while sustaining improved outcomes, companies are increasingly adopting work team models. This shift highlights the growing importance of team-based skills among employees. The study advocates for the adoption of flexible workspaces to ensure that the physical environment aligns with the company's collaborative approach, suggesting that open-plan offices offer more flexibility than traditional closed or private offices. The relationship between human resource management (HRM) and employee well-being has been extensively studied, yet the findings remain inconclusive.

Dynamics of Management Control Systems: Impact on Performance, Well-Being, and Trust in Organizations

Franco-Santos and Doherty (2017) also conducted research on this topic in the sector of higher education. They studied the relationship between the management of performance and the perceived wellbeing of the staff in academics. Data for this study was collected from Higher education sector of UK through two different sources. One from the larger research projects that focused on the association between the performance management and the wellbeing in universities of UK.

The practitioners and scholars have confirmed

that tat performance measurement practices increase efficiency and effectiveness. Further the literature argues that the measure of quantitative performance do not provide detail in the complex system of public organizations. Van der Kolk and Kaufmann (2018) took a step to study the cognitive dissonance theory to create sense on various beliefs that are held by public workers regarding the practices of performance measurement, and that are inspired by the movement of New Public Management. 34 total interviews were conducted with the policy department employees. The findings of this data revealed different cognitive dissonance indications for the usage of performance measurement at the level of individuals. Further the study has revealed that the employees target to decrease the dissonance they face, by avoiding the related tasks that do not bring any suitable results to them and also by changing their behavior towards it. This paper adds to the literature of management control by exploring responses of individual towards performance management practices.

Perkins (2018) studied the issues related with the performance appraisal of employees as a social interaction stage with the managerial dissatisfaction, especially when it is used to inform about the decisions about pay and other related rewards. This study utilized the existing literature of the management. Through this, the study highlighted the issues in investigation under the performance appraisal scenario. Data for this survey research was collected from the Annual Research Survey of 2017 published by the Chartered Institute of Personnel and Development. The said data contained 715 responses on a questionnaire. The study revealed that there are a number of companies that apply approaches of performance appraisal that is somehow mediated by the size and sector of the firm. The results can be utilized to guide different forms of HRM decision making, particularly in reward management. The study showed that the bureaucratic elements of appraisal mechanism bring dissatisfaction and it is more nuanced.

Heninger et al. (2019) performed a study on the organizational control in the framework of wellness programs. Organizational initiatives were designed to enhance the employees' mental and physical health. Under the setting of field study, we investigated the relationships of three different kinds of incentives (including gift cards, case and other tangible rewards) with the performance of wellness programs. The study was conducted on the reward and wellness performance in the faculty of 1,855 universities' faculties and collected 8.686 total observations. There

were two samples included in this data. The data of larger sample included all the concerned variables excluding weight variables while the smaller sample included the values of weight. The results found that the employees who completed challenges of program successfully have shown greater loss of weight. It was also found that the participants who selected gift cards are related with the great success in programs though the cash rewards are given twice.

Van der Kolk et al., (2015) analyzed the role of management control (MC) elements in strategic implementation within organizations. Despite prior research suggesting that the interconnections among MC elements present rich research opportunities, empirical investigations are rare. Using coupling theory, the researchers examined how various hierarchical linkages among MC elements aid in strategic adoption. The research utilized a case study of a medium-sized Dutch municipality, revealing that different types of MC element couplings have varied impacts but are collectively beneficial for executing specific strategies. The study contributes to MC literature by demonstrating the applicability of coupling theory in examining MC element interrelations.

Verburg et al. (2018) explored the correlation between organizational control and employee trust. They focused on how various forms of control—normative, process, and outcome—affect employee trust within their organizations and whether this trust correlates positively with job performance, including organizational citizenship behavior and task performance. The context for the study was one of compliance and high control. Data from 105 employees and supervisors in Singaporean firms were analyzed using structural equation modeling (SEM) and partial least squares (PLS) regression. The findings indicated that control mechanisms do indeed influence employee trust, and that all three forms of control are significant to the trust employees place in their organizations.

Alpenberg and Scarbrough (2018) examined the link between trust and control within four firms that were transitioning to new production methodologies. Prior research is divided, with some indicating a substitutive relationship between trust and control, and others suggesting complementarity. Through 16 interviews conducted in southern Sweden's small manufacturing sector, observations of meetings, and analysis of daily operations, the study discerned three moderators that influence whether trust and control are complementary or substitutive. These include the frequency of control, the origin of control directives,

and the type of control information. The research also observed that trust is reflected in the attitudes of employees and management as they adapt to new production techniques.

METHODOLOGY

The quantitative approach is central to this study, focusing on numerical analysis and statistical techniques to test the validity of theoretical generalizations. This method is inherently positivist, advocating for deductive reasoning in research, which is beneficial due to its capacity for inferential statistics. This lends a precise representation of participant populations and facilitates accurate forecasts for variables. The quantitative method enables a systematic exploration of hypotheses and issues of reasoning, leading to more definitive research objectives (Kumar & Phrommathed, 2005). Alternatively, qualitative research provides an in-depth, word-based description of social issues, conducted in natural settings and emphasizing inductive and interpretive methodologies. While quantitative research often utilizes surveys and statistical analysis, qualitative research leans towards a humanistic perspective, employing methods such as case studies and interviews (Kothari, 2004). For this study, the quantitative approach was selected to attain the desired findings and outcomes. Descriptive and experimental research are predominantly quantitative, with the explanatory research purpose examining cause and effect relationships between variables. This study adopts an explanatory research purpose to examine the impact of management control on employee motivation and performance in the private sector. This purpose was chosen due to its suitability for the study's nature and structure, providing a robust framework for data collection and statistical analysis (Kothari, 2004).

Primary data has been collected directly from the target population through a self-administered data collection technique, ensuring firsthand information and relevance to the study's objectives. The study specifically targeted HR professionals from private banks in Karachi, chosen for its large population and diverse socio-economic and cultural fabric, which adds depth to the research findings. The sample size was determined to be approximately 274 respondents, a figure that is statistically significant enough to provide a comprehensive investigation of the phenomenon in question.

A five-point Likert scale questionnaire was employed as the data collection instrument, with measures adapted from previous research to ensure

reliability and validity in the context of management science studies. The selection of an appropriate sampling strategy is critical for ensuring the relevance and extendibility of research findings. Sampling is the process by which researchers draw a representative subset of a population to test hypotheses and answer research questions, thereby determining the study's generalizability (Hague, 2002). Due to the specific scope and constraints inherent to this study, a non-probability sampling method was employed to gather data. Specifically, a convenience sampling technique was utilized, which involves selecting participants based on accessibility and willingness to respond.

While convenience sampling offers practical advantages, certain precautions were necessary to mitigate potential biases. The primary objective of the sampling process was not to replicate the familiarity of typical cases, but to establish structured systems for analysis and reporting. The full breadth of the population was considered in order to encompass a wide array of characteristics and gather comprehensive information.

The Structural Equation Model (SEM) enhances the capabilities of multiple regression analysis by incorporating a measurement model that evaluates the validity of a specified construct. SEM, when applied using the Partial Least Squares (PLS) technique, incorporates path analysis, which is critical in understanding the structural relationships between variables. This technique is also referred to as variance structure analysis due to its focus on the variance of the data. The study in question has employed PLS-SEM, utilizing the SmartPLS software version 3.2.8, to test the proposed hypotheses. This advanced statistical technique enables the examination of complex relationships within the data, providing a robust method for hypothesis testing within the research.

Hypothesis

- H1: Personnel controls are positively related to employee performance
- H2: Cultural controls are positively related to employee performance
- H3: Action controls are positively related to employee performance
- H4: Results controls are positively related to employee performance

Research Model

Following is the research model of the current study.

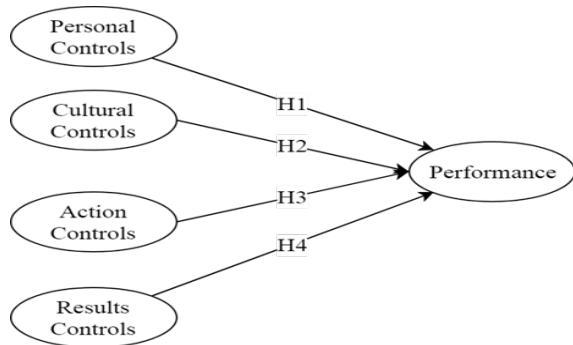


Fig. 1: Research Model

Ethical Considerations

In the domain of scholarly inquiry, the significance of ethics cannot be overlooked at any stage of the research process. Ethical practice in research not only necessitates adherence to moral standards but also the integration of actions deemed ethically sound. Researchers often encounter sensitive and confidential information, and it is their paramount responsibility to ensure that such data remains unaltered, recognizing its potentially delicate nature. Misuse of data provided by participants, for any purpose, is unethical and invalidates the integrity of the research. The protection of participant information is a critical ethical priority. Moreover, the observance of proper academic practices, including the accurate citation of sources and references, is essential to address ethical considerations that may arise during the research process.

Data analysis

Pilot Study

Following table 1 provide results of pilot study that comprise of Cronbach’s Alpha reliability analysis.

Table 1

Pilot Study

Variable Names	N Items	Cronbach's Alpha
Personnel Controls	5	0.765
Cultural Controls	5	0.620
Results Controls	5	0.782
Action Controls	5	0.696
Performance	7	0.831
Overall Instrument	27	0.812

All the variables and overall research instrument in the pilot study comprising fifty responses showed higher reliability coefficient than threshold of 0.60 as suggested by Gliem and Gliem (2003). Therefore, the result of pilot study showed that the instrument has proven appropriate for main study data collection.

Demographic Statistics

Following table 2 provide descriptive statistics regarding profile characteristics of the respondents participated in the study.

Table 2

Descriptive Statistics (n = 274)

		Frequency	Percent
Age Group	20–30 years	137	50.0
	31–40 years	103	37.6
	41–50 years	23	8.4
	51+ years	11	4.0
Gender	Female	81	29.6
	Male	193	70.4
Experience in the organization	Less than 1 year	79	28.8
	1 – 3 years	81	29.6
	4 – 5 years	56	20.4
	5+ years	58	21.2
Organization size (employees)	0–200 employees	57	20.8
	201–400 employees	138	50.4
	401–600 employees	24	8.8
	600+ employees	55	20.1

Outer Loadings

Following table 3 provide results of outer loadings of the items in respect to their particular constructs.

Table 3

Outer Loadings

	Action Controls	Cultural Controls	Personnel Controls	Performance	Results Controls
AC2	0.864				
AC3	0.796				
AC5	0.837				
CC3		0.781			
CC4		0.969			
PC2			0.872		
PC3			0.875		
PC4			0.925		
PERF6				0.971	
PERF7				0.972	
RC3					0.764
RC4					0.731
RC5					0.927

It has clearly been shown in the above table that all the factors were loaded at greater than 0.70 estimates as suggested by Hair et al. (2010). Therefore, the study has achieved construct validity adequately.

Convergent Validity

Following table 4 provide results of convergent

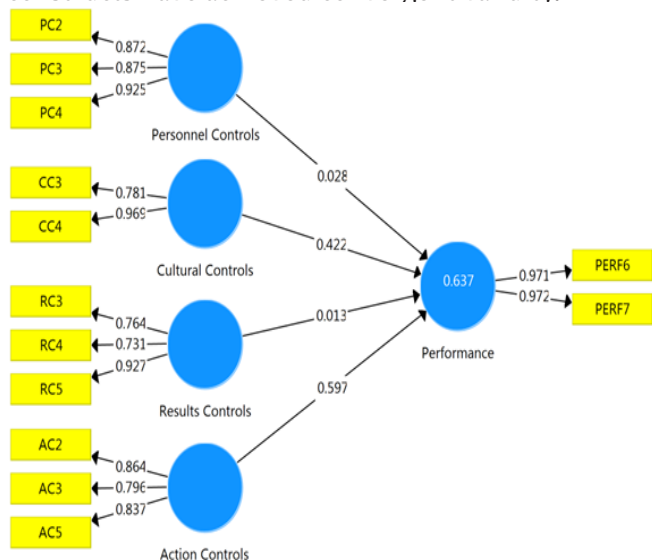
validity. It basically demonstrates that all the measures of particular constructs were correlated adequately to achieve convergence among them. By this validity, it has been postulated that all the measures adequately represent their theoretically underpinned construct.

Table 4

Convergent Validity

	Composite Reliability	Average Variance Extracted (AVE)
Action Controls	0.871	0.693
Cultural Controls	0.872	0.774
Performance	0.971	0.943
Personnel Controls	0.920	0.794
Results Controls	0.851	0.659

In the above table, it has been clearly evident that all the constructs have enough convergence among their measures that can adequately represent their respective variable. Threshold for Composite Reliability (CR) should be greater than 0.70 and Average Variance Extracted (AVE) should be greater than 0.50 (Fornell & Larcker, 1981). Therefore, all the constructs have achieved convergent validity.



Discriminant Validity

The core objective and concept of discriminant validity is to ensure that all the variables have maintained their distinct characteristics and participation in data analysis. It is important to assess discriminant validity as assurance of adequately managed structural modeling. The study has included two criteria of assessing discriminant validity namely Fornell and Larcker (1981) Criterion and Heterotrait-Monotrait (HTMT) Ratio. Following table 5 shows result of Fornell and Larcker (1981) Criterion.

Table 5

Fornell-Larcker Criterion

	Action Controls	Cultural Controls	Performance	Personnel Controls	Results Controls
Action Controls	0.833				
Cultural Controls	0.151	0.880			
Performance	0.665	0.537	0.971		
Personnel Controls	0.036	0.724	0.360	0.891	
Results Controls	0.255	0.340	0.319	0.371	0.812

The above table showed that all the squared-root AVE values of individual constructs have higher coefficient in contrast to their respective variables in the row and column. Therefore, the study has achieved discriminant validity using Fornell and Larcker (1981) Criterion. Following table 6 shows result of Heterotrait-Monotrait (HTMT) ratio for assessing discriminant validity as suggested by Henseler et al., (2015).

Table 6

Heterotrait-Monotrait Ratio (HTMT)

	Action Controls	Cultural Controls	Performance	Personnel Controls	Results Controls
Action Controls					
Cultural Controls	0.269				
Performance	0.700	0.551			
Personnel Controls	0.182	0.851	0.358		
Results Controls	0.464	0.583	0.266	0.506	

The above clearly showed that all the variables have less coefficient values than 0.90 as suggested by Henseler et al., (2015). In the above table, it has clearly been shown that all the constructs have HTMT ratio coefficient below 0.90; therefore, the study has achieved discriminant validity using HTMT ratio.

Path Analysis

Following table 7 provides result of path analysis for hypothesis testing using PLS-SEM.

Table 7

Hypothesis Testing using Path Analysis

	Estimates	S.D.	T-Stats	Prob.
Action Controls -> Performance	0.597	0.029	20.440	0.000
Cultural Controls -> Performance	0.422	0.050	8.411	0.000
Personnel Controls -> Performance	0.028	0.038	0.722	0.235
Results Controls -> Performance	0.013	0.035	0.372	0.355

The results in the above table showed that action controls (0.597, $p < 0.01$) and cultural controls (0.422, $p < 0.01$) have significantly positive impact on performance while personal controls (0.028, $p > 0.01$) and results controls (0.013, $p > 0.01$) have no relationship with performance. However, action control has most influence on performance followed by cultural control.

Predictive Relevance

Following table 8 provides estimates and statistics related to predictive relevance including R-square, adjusted R-square and Q-square.

Table 8

Predictive Relevance

	R Square	R Square Adjusted	Q Square
Performance	0.637	0.632	0.574

All four types of management control systems including action control, cultural control, personal control and result control can predict variability in the performance up to 63.7 percent in combination while the Q-square was found higher than absolute zero.

Discussion

The research uncovered that corporations have the capability to forge a framework that not only encourages behaviors conducive to the fulfillment of organizational objectives but also adheres to ethical standards. This synergy between ethics and management control is pivotal. Findings from Ahmad and Mohamed (2018) reveal that managers employ contextual symbols to imbue new control roles with meaning. These symbols, or metaphors, are instrumental for managers in navigating the intricacies of Management Control Systems (MCS) and adapting to the resultant shifts in their duties, roles, and professional identities.

Additionally, the study by Alpenberg and Scarbrough (2018) demonstrated that the willingness of individuals to adopt innovative practices and embrace changes in control mechanisms is crucial for

organizational evolution. Franco-Santos and Doherty (2017) identified that control levers are independently linked to enhanced performance in firms, indicating that these levers function as supplementary rather than complementary elements within certain operational contexts. The balanced application of these levers is seen to generate a dynamic tension that is beneficial for organizational performance. This research also revealed that organizations employ various types of controls. There are instances highlighted where management control systems were not effectively aligned with the principles of sustainable development (Ganahreh et al., 2018). It was observed that companies often prefer to exert control over more tangible aspects of sustainable development, such as social and environmental responsibilities.

CONCLUSION

The study has aimed to examine the role of management control systems on employee performance in the private banks of Karachi, Pakistan. In this manner, this study intends to find out the impact of personal controls, cultural controls, action controls and result controls on employee performance. The study has purposefully selected quantitative approach and correlational research design to achieve desirable results. The study has intentionally targeted HR professionals from the Private Banks in Karachi city of Pakistan. In this way, the study has gathered 250 responses from the target population through questionnaire.

The outcomes of the study find that action controls is an important aspect that leads towards the improvement in performance of an employee, working in private banks. However, it is cleared that personnel controls is not as effective in nature because it is not predicting the employee performance meaningfully. Moreover, cultural controls evolve as an effectual aspect to enhance the employee performance in the banking industry. Though, results controls have not the tendency to forecast the changings in employee performance.

Recommendations

The current study focused on the performance of employees. The analysis of this study showed that the Personnel controls and the Results controls by the organizations have significant and positive impact on the performance of employees. This shows that the mangers have to work on the development of their controls over the employees of the company. If the managers do not have any sort of control over the

employees, then their work performance would go down. Having control does not mean that they should always put restrictions on them and they should not be free to work as per their comfort level. Rather the employees should have freedom to work but their activities should be regularly checked and they should be pointed out time to time related to their faults. This pin pointing by the managers help the employees to identify where they are making mistakes and next time it is easy for them not to repeat such mistakes in their work.

Secondly, the managers should also develop some of their controls over the results that are generated by their employees. The managers have to develop certain policies and set procedures in order to focus on the generated results. If the results are accurate then the managers should identify that and if the results are not as per the requirements, then the managers should point out the mistakes so that the employees would know what their company needs from them and then they would be performing accordingly and maintaining their performance level.

Future Research

This study provided several suggestions for the upcoming researchers as well. At first, it is important to detect various factors that might work as important influencers between the relationship of management control and employee performance. In this manner, the researchers will be able to examine the mediating and moderating factors as well. Secondly, this study focuses on the private banks; therefore, researchers should apply the present study in the context of other sectors likewise. Thirdly, this study concentrates on the context of Pakistan. However, it is possible to consider the phenomenon of other country in order to provide the cross-country analysis about the management control system.

Competing Interests

The authors has declared that no competing interests exist.

References

- Ahmad, N.A., & Mohamed, R. (2018). Management control system and firm performance-resource based view perspective. *MAYFEB Journal of Business and Management*, 1.
- Alpenberg, J., & Scarbrough, D.P. (2018). Trust and control in changing production environments. *Journal of Business Research*, 88, 527-534.
<https://doi.org/10.1016/j.jbusres.2017.12.003>
- Bedford, D.S. (2015). Management control systems across different modes of innovation: Implications for firm performance. *Management Accounting Research*, 28, 12-30.
<https://doi.org/10.1016/j.mar.2015.04.003>
- Fornell, C., & Larcker, D.F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of Marketing Research*, 382-388.
<https://psycnet.apa.org/doi/10.2307/3150980>
- Franco-Santos, M., & Doherty, N. (2017). Performance management and well-being: A close look at the changing nature of the uk higher education workplace. *The International Journal of Human Resource Management*, 28(16), 2319-2350.
<https://doi.org/10.1080/09585192.2017.1334148>
- Friestad, L.B.H. (2016). Management control systems and student performance in norwegian primary education: An exploratory case study. *Journal of Management Control*, 27(4), 323-350.
<https://doi.org/10.1007/s00187-016-0233-6>
- Ganahreh, E.A., Bello, B., & Abdullah, M.F. (2018). The impact of administrative control on employees' performance: Evidence from industrial companies in Jordan. *International Journal of Accounting*, 3(10), 52-66.
- Gliem, J. A., & Gliem, R. R. (2003). *Calculating, interpreting, and reporting Cronbach's alpha reliability coefficient for Likert-type scales*. Midwest Research-to-Practice Conference in Adult, Continuing, and Community Education.
<https://hdl.handle.net/1805/344>
- Gong, M. Z., & Subramaniam, N. (2020). Principal leadership style and school performance: mediating roles of risk management culture and management control systems use in Australian schools. *Accounting & Finance*, 60(3), 2427-2466.
<https://doi.org/10.1111/acfi.12416>
- Guenther, E., Endrikat, J., & Guenther, T.W. (2016). Environmental management control systems: A conceptualization and a review of the empirical evidence. *Journal of Cleaner Production*, 136, 147-171.
<https://doi.org/10.1016/j.jclepro.2016.02.043>
- Hague, P.N. (2002). *Market research: A guide to planning, methodology & evaluation*: Kogan Page Publishers.
- Hair, J.F., Anderson, R.E., Babin, B.J., & Black, W.C. (2010). *Multivariate data analysis: A global perspective* (Vol. 7):

- Pearson Upper Saddle River, NJ.
- Heninger, W. G., Smith, S. D., & Wood, D. A. (2019). Reward type and performance: An examination of organizational wellness programs. *Management Accounting Research*, 44, 1-11.
<https://doi.org/10.1016/j.mar.2019.02.001>
- Henseler, J., Ringle, C.M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115-135.
<https://doi.org/10.1007/s11747-014-0403-8>
- Irwandi, S.A., & Akbar, T. (2015). Goal-setting participation as strategic measurement performance for enhancing managerial performance through procedural fairness and interpersonal trust. *Journal of Economics, Business & Accountancy Ventura*, 17(3), 353-364.
<http://dx.doi.org/10.14414/jebav.v17i3.357>
- Kothari, C.R. (2004). *Research methodology: Methods and techniques*: New Age International.
- Kumar, S., & Phrommathed, P. (2005). *Research methodology*: Springer.
- Lohmann, J., Houfort, N., & De Allegri, M. (2016). Crowding out or no crowding out? A self-determination theory approach to health worker motivation in performance-based financing. *Social Science & Medicine*, 169, 1-8.
<https://doi.org/10.1016/j.socscimed.2016.09.006>
- Lohmann, J., Muula, A.S., Houfort, N., & De Allegri, M. (2018). How does performance-based financing affect health workers' intrinsic motivation? A self-determination theory-based mixed-methods study in malawi. *Social Science & Medicine*, 208, 1-8.
<https://doi.org/10.1016/j.socscimed.2018.04.053>
- Lohmann, J., Souares, A., Tiendrebéogo, J., Houfort, N., Robyn, P.J., Somda, S.M., & De Allegri, M. (2017). Measuring health workers' motivation composition: Validation of a scale based on self-determination theory in burkina faso. *Human Resources for Health*, 15(1), 1-12.
<https://doi.org/10.1186/s12960-017-0208-1>
- Lueg, R., & Radlach, R. (2016). Managing sustainable development with management control systems: A literature review. *European Management Journal*, 34(2), 158-171. <https://doi.org/10.1016/j.emj.2015.11.005>
- Martin-Rios, C. (2016). Innovative management control systems in knowledge work: A middle manager perspective. *Journal of Management Control*, 27(2-3), 181-204.
<https://doi.org/10.1007/s00187-015-0228-8>
- Merchant, K.A., & White, L.F. (2017). Linking the ethics and management control literatures *Advances in management accounting* (pp. 1-29): Emerald Publishing Limited.
<https://doi.org/10.1108/S1474787120170000028001>
- Perkins, S.J. (2018). Processing developments in employee performance and reward. *Journal of Organizational Effectiveness: People and Performance*, 5(3), 289-300.
<https://doi.org/10.1108/JOEPP-07-2018-0049>
- Samani, S.A., Rasid, S.Z.A., & Sofian, S.b. (2015). Perceived level of personal control over the work environment and employee satisfaction and work performance. *Performance Improvement*, 54(9), 28-35.
<https://doi.org/10.1002/pfi.21499>
- Su, S., Baird, K., & Schoch, H. (2015). Management control system effectiveness: The association between types of controls with employee organizational commitment across organisational life cycle stages. *Pacific Accounting Review*, 27(1), 28-50.
<https://doi.org/10.1108/PAR-06-2012-0022>
- Van der Kolk, B., & Kaufmann, W. (2018). Performance measurement, cognitive dissonance and coping strategies: Exploring individual responses to npm-inspired output control. *Journal of Management Control*, 29(2), 93-113.
<https://doi.org/10.1007/s00187-018-0265-1>
- Van der Kolk, B., & Schokker, T. (2016). Strategy implementation through hierarchical couplings in a management control package: An explorative case study. *Journal of Management Control*, 27(2-3), 129-154.
<https://doi.org/10.1007/s00187-015-0226-x>
- Van der Kolk, B., ter Bogt, H. J., & van Veen-Dirks, P. M. (2015). Constraining and facilitating management control in times of austerity: Case studies in four municipal departments. *Accounting, Auditing & Accountability Journal*, 28(6), 934-965.
<https://doi.org/10.1108/AAAJ-03-2014-1660>
- Verburg, R.M., Nienaber, A.-M., Searle, R.H., Weibel, A., Den Hartog, D.N., & Rupp, D.E. (2018). The role of organizational control systems in employees' organizational trust and performance outcomes. *Group & Organization Management*, 43(2), 179-206.
<https://doi.org/10.1177/1059601117725191>