



## ***EVALUATION OF MANAGEMENT CONTROL SYSTEMS IN THE CONTEXT OF POST-MERGER INTEGRATION Case Study of PT XLSMART Telecom Sejahtera Tbk in 2025***

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### ***Abstract***

*This study analyzes the effectiveness of PT XLSMART Telecom Sejahtera Tbk (EXCL)'s management control system in 2025, the first year after the merger between XL Axiata and Smartfren. Using a document analysis approach to four primary data sources, namely the Audited Consolidated Financial Statements, Integrated Annual Reports, Business Sustainability Reports, and the 2025 ESG Report. This study evaluates the management control system through two main theoretical frameworks, namely Simons' Levers of Control and Malmi & Brown's. The findings show that amidst 23.4% revenue growth to IDR 42.45 trillion and the realization of merger synergies of USD 252 million, the company recorded a net loss of IDR 4.41 trillion due to a 45.6% surge in depreciation costs, scattered integration costs, and a dividend policy that is not aligned with actual financial conditions. Meanwhile, the non-financial dimensions show consistent strength. This study concludes that PT XLSMART's management control system experienced symmetric failure because the formal control systems (cybernetic and diagnostic) were inadequate for the complexity of post-merger costs, while cultural and boundary controls functioned effectively. Recommendations are directed at improving the management control system architecture to make it more adaptive to the post-merger transformation phase.*

**Keywords:** *Management Control Systems; Malmi & Brown's; Performance Evaluation; Simons' Levers of Control*

### ***INTRODUCTION***

*Management control is the processes and mechanisms managers use to influence the behavior of individuals and groups toward predetermined organizational goals and objectives. A management control system, on the other hand, is a collection of control processes and mechanisms used by management to achieve the goals and objectives established by the organization. Management selects the appropriate combination of controls to suit the company's contextual conditions. These control processes and mechanisms are not used in isolation but rather are combined and used together as a management control system (Jukka, 2023). The management control system must be able to ensure the alignment of the goals and behavior of all members of the organization with the goals and strategies of the organization (Flor et al., 2023).*

*In 2025, there was a historic merger of two large-scale telecommunications companies in Indonesia, namely PT. XL Axiata and PT. Smartfren Telecom Tbk. The two companies officially merged into a new entity under the name PT. XLSMART Telecom Sejahtera Tbk which was officially established on April 17, 2025. The merger made XLSMART the second largest telecommunications operator in Indonesia after Telkomsel, thus strengthening the company's competitiveness in the national telecommunications industry. XLSMART has more than 73 million customers, 225,649 BTS, and Rp115.32 trillion in total assets. With this company transformation, it is projected to bring significant growth opportunities, especially in the telecommunications world. However, amidst the high growth prospects, there are major challenges related to the effectiveness of the management control system in integrating business processes, organizational culture, and governance after the merger.*

*The audited financial statements for the period ending December 31, 2025, revealed the company's achievement in generating revenue growth of 23.4%, exceeding the company's target. Meanwhile, shareholders also experienced a less encouraging outcome, with the company*



recording a net loss of IDR 4.41 trillion. This phenomenon served as the basis for a more in-depth analysis of the effectiveness of PT. XLSMART Telecom Sejahtera's management control system. This study also provided insight into the appropriate management control system to support operational processes and company integration following a large-scale merger.

This article aims to: (1) analyze the effectiveness of the implementation of PT. XLSMART Telecom Sejahtera's management control system in 2025 by examining the gap between revenue growth of 23.4% which exceeded the company's target and a net loss of Rp4.41 trillion in the first year after the merger; (2) identify the factors causing weak control which impacted the company's inability to manage its cost structure optimally despite a significant increase in revenue; (3) evaluate various aspects that require strengthening of control, including the integration of information technology systems, harmonization of organizational culture, consolidation of network infrastructure, customer management, and financial governance to support the management of the company's assets of Rp115.32 trillion effectively, efficiently, and transparently; and (4) develop implementable and evidence-based strategic recommendations to strengthen the management control system as an effort to prevent the recurrence of large financial losses in the future without reducing the growth momentum that the company has achieved.

## LITERATURE REVIEW

Management control systems are mechanisms for communicating organizational goals, motivating individuals within the organization to achieve goals, and encouraging behavioral alignment. Barros & Ferreira (2022) emphasizes the relationship between management control systems and organizational strategies in achieving goals. Information-based systems in management control systems enable organizations to manage activities effectively to achieve goals (Wijayanti & Cahyadi, 2024).

Management control systems are defined as the formal information-based routines and procedures managers use to maintain or change patterns in organizational activities. They consist of planning, reporting, and monitoring systems. Control systems increase the predictability of results, reduce the time spent on control tasks, assign responsibility for results to specific organizational members, reduce the risk of dysfunctional behavior, and provide managers with the flexibility to achieve various target objectives. (García et al., 2022).

Fachrudin et al. (2024) emphasizes the importance of a management control system in enhancing creativity, innovation, and work culture to sustainably improve financial performance. However, a company can only achieve competitive advantage if the management control system is well-managed. This includes regular development to adapt to the latest technology, organizational learning, and control systems for their implementation, especially subjectivity in performance assessments. Therefore, it is expected that commissioners as supervisors, audit committees, and top management will pay attention to the implementation of the management control system and have integrity.

Levers of Control Framework was first introduced by Simon (1995) It has been widely applied to examine how management control systems can support the implementation of an organization's overall strategy. This framework identifies four types of control systems: belief systems, boundary systems, diagnostic control systems, and interactive control systems (Fagerlin & Wen, 2026). Belief systems are formal controls that focus on conveying organizational values through communication and social interaction to direct employee behavior in accordance with company goals. Boundary systems function to establish behavioral limits through rules and policies that explain actions that are permitted and prohibited within the organization. Meanwhile,



*diagnostic control is a control system used by managers to assess the suitability of employee performance and strategy implementation with predetermined targets, including providing rewards for achieving targets and corrective actions if targets are not achieved. Interactive control systems are used to facilitate discussions about strategic opportunities and threats (Han et al., 2022).*

*This research also adopts the management control system approach developed by Malmi & Brown (2008), where the framework groups the management control system into five complementary parts, namely planning controls, cybernetic controls (budget, financial & non-financial measurements, a mixture of both), reward & compensation controls, administrative controls, and cultural controls. Thus, the important role of management control systems in driving corporate success has been suggested in numerous studies. Companies can use a variety of instruments and mechanisms, ranging from control through corporate culture, incentive systems, and administrative measures to cyber controls and planning (Traxler et al., 2026). Therefore, companies that have realized the importance of developing a strategy to do this, need a management control system that facilitates the implementation of sustainability strategies to transform the business and improve company performance (Hsiao & Horner, 2022).*

*The success of a merger and acquisition process depends heavily on a company's ability to manage post-merger integration through an effective management control system. Challenges such as differences in organizational culture, inconsistencies in reporting systems, overlapping assets, and high integration costs can potentially hinder synergy if not addressed effectively (Teittinen & Pellinen, 2023). In this case, the management control system functions as a means to direct, coordinate, and control organizational activities so that they remain aligned with company goals (Vuorenmaa, 2024). Evaluation of the effectiveness of the management control system can be carried out using a balanced scorecard which measures performance comprehensively through financial, customer, internal business process, and learning and growth perspectives (Kumar et al., 2024).*

## **METHODS**

*This study uses a document analysis approach to four primary data sources officially published by PT. XLSMART Telecom Sejahtera, namely: (1) Audited Consolidated Financial Statements as of December 31, 2025; (2) Integrated Annual Report 2025; (3) Business Sustainability Report 2025; and (4) ESG Report 2025. The data were analyzed using a financial ratio analysis approach, trend analysis, and evaluation of the management control system framework based on the theory Simon (1995) and Malmi & Brown (2008).*

## **RESULTS AND DISCUSSION**

### **Overview of PT. XLSMART Telecom Sejahtera's Financial Performance**

*In 2025, PT. XLSMART experienced a significant financial performance improvement, generating revenue of IDR 42.45 trillion, a 23.4% increase from IDR 34.40 trillion in 2024. This growth was driven by the consolidation of its customer base to 73 million, an increase in blended mobile ARPU to IDR 39,500, and the expansion of data and digital services. Furthermore, the realization of merger synergies in the second and fourth quarters of 2025 exceeded the company's expectations, amounting to USD 252 million.*

*However, despite these achievements, PT. XLSMART's bottom line performance experienced a sharp decline. This is because the company experienced a pre-tax loss of IDR 5.26 trillion and a net loss of IDR 4.41 trillion, a stark contrast to the company's success in achieving a*



net profit of IDR 6.26 trillion in 2024. Furthermore, EBITDA experienced a slight decline from IDR 17.88 trillion to IDR 17.78 trillion, with the EBITDA margin also decreasing to 42%. This margin decline reflects an increase in operating costs that is faster than revenue growth, primarily due to merger integration costs.

#### **Evaluation of Simons' Levers of Control Management Control System**

PT. XLSMART's annual report, which identifies "one purpose, one future," demonstrates a strong belief system in the merger of the two companies, accompanied by the formation of a comprehensive vision. The actualization of this belief system is illustrated by the company's ESG report data, which shows that 99% of employees participated in training programs, averaging 45.2 hours per person, and there were no human rights violations or workplace accidents. The company also declared a net zero target by 2050 and a 45% reduction in GHG emissions by 2030, reflecting the sustainable concept of this belief system.

PT. XLSMART's anti-bribery and anti-corruption policies, a commitment, represent a strong boundary system. Furthermore, the 100% attendance of the Board of Directors and Board of Commissioners at all board meetings, the absence of conflicts of interest between members, and cross-organizational shareholding demonstrate the implementation of good corporate governance. The implementation of OJK Regulation No. 42/POJK.04/2020 concerning affiliated transactions and conflicts of interest is consistent with the clear separation of duties and authorities between the Chairman of the Board and the CEO. The ESG report also notes the company's compliance with non-discrimination, child labor, and occupational safety policies (S-08 to S-11) within the GRI (Global Reporting Initiative) framework.

Diagnostic control systems are the weakest aspect of PT XLSMART's management control system implementation by 2025. The financial planning and control system was unable to adequately anticipate the 45.6% increase in depreciation expense, from IDR 12.07 trillion to IDR 17.59 trillion, triggered by the premature retirement of network assets resulting from the post-merger consolidation between XL Axiata and Smartfren. Furthermore, integration costs, including network harmonization, organizational restructuring, IT system consolidation, and multi-brand marketing programs, are still spread across various operational expense items without a centralized classification, making it difficult for management and shareholders to monitor their cumulative impact in real time. The company's decision to distribute a cash dividend of IDR 4.01 trillion when it recorded a net loss of IDR 4.41 trillion has the potential to create a biased perception of the company's true financial condition and capabilities.

Interactive control systems at PT. XLSMART demonstrates strong strategic performance. The 2025 Annual Report documents the formation of cross-functional committees to address the complexities of the merger, including a network integration oversight committee and a governance harmonization committee. The frequency of Board meetings and the involvement of the Audit Committee, Nomination and Remuneration Committee, and Risk Committee in the strategic agenda reflect an active vertical interaction system.

#### **Evaluation of Malmi & Brown's MCS Management Control System as a Package**

Overall, EXCL's 2025 management control system demonstrated varying degrees of effectiveness across its components. Cultural controls emerged as the strongest aspect, strengthening post-merger value chains and implementing various sustainability initiatives. Planning controls were relatively successful in achieving key targets, but remained weak in anticipating integration costs and non-operational impacts. Cybernetic controls showed pressure on financial performance, despite positive non-financial and synergy indicators. Reward and compensation controls reflected the increasing cost burden due to the post-merger workforce



expansion. Administrative controls were strong in governance, but were still hampered by information system integration, which hampered data access speeds.

## CONCLUSION

*PT. XLSMART's management control system in 2025 demonstrated a structural imbalance between formal and informal components. Formal components, particularly diagnostic control systems and cybernetic controls, proved inadequate to manage the complexity of post-merger costs, particularly the 45.6% acceleration of asset depreciation and the widespread integration costs without centralized categorization. This failure directly contributed to a net loss of IDR 4.41 trillion. Meanwhile, informal components (belief systems, boundary systems, and cultural controls) functioned effectively as a foundation for sound governance. Non-financial performance, reflected in 24% customer growth, 26% increase in ARPU, and USD 252 million in synergies, indicated the inability of the formal control system to accurately and in real-time project, monitor, and respond to merger transition costs. In other words, PT. XLSMART has a healthy business in a transforming entity with a control system that is not fully prepared to face such complexity.*

## Recommendation

*In 2025, PT. XLSMART needs to design a dedicated control subsystem that centrally monitors all costs associated with the merger integration process. Furthermore, implementing a dividend formula tied to a minimum threshold of free cash flow or adjusted net income will provide greater flexibility in navigating the transition years. The company also needs to create a business support system consolidation roadmap with clear and measurable quarterly targets, which should be set as a strategic priority for 2026.*

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