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Management Accounting development in small companies

- A study of four Swedish businesses

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“Happy – “

Famous last word of Raffaello Sanzio da Urbino.

Abstract

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Title: Management Accounting development in small companies.
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Subject words: Management Accounting, Small and Medium-sized Enterprises, Social Constructionism theory, Contingency theory, Emic and Etic perspective.

Background and Problematicization: Despite SMEs' influence on economies worldwide, research regarding Management Accounting (MA) in Small and Medium-sized enterprises (SMEs) has only recently gained a growing interest (López & Hiebl, 2015). Several studies have shown that MA has a positive effect on the overall business performance of SMEs, motivating further research on the subject. The two main trends in research on MA in SMEs have been to either focus on evaluating the complexity of the MA processes or to examine the occurrence of specific MA techniques. The Contingency theory has served as the main explanation of the difference in MA usage in SMEs and how well MA matches a certain situation in a company. However, the theory has been criticized for describing companies from an outside perspective, neglecting the environment within the company. In response, Perren and Grant (2000) expanded the Social Constructionism theory describing how MA techniques and processes from a macro level influence the MA usage in the micro-world of a small company. By applying both the Contingency theory and the Social Constructionism theory to our empirical findings, we expect to better understand the underlying causes of MA development in SMEs.

Purpose: The purpose of this study is to understand what causes MA in small companies to develop and emerge. By conducting a case study of four small companies, we seek to understand the underlying causes and motives behind the implementation and development of the identified MA processes.

Problem Statement: How is Management Accounting developed in small companies?

Methodology & Approach: The research strategy follows the suggested one formulated by Granlund and Lukka (2017), which advocates the combination of an emic perspective and an etic perspective. The research used a qualitative approach, with semi-structured interviews in four small companies in the segment of 10-49 employees.

Findings & Conclusions: The empirical findings endorse the main concepts of the Social Constructionism theory and identify problem solving, derived from the reality of the individual micro-world, as the main cause of MA development in small companies. The perceived problems can be linked to contingencies in the Contingency theory related to the use of MA in SMEs. Both theories consider perceived problems solved by MA solutions to be the main cause of MA development, although the different research perspectives provide different analyses of the empirical findings. As the Social Constructionism theory identifies a specific MA solution to an individual problem, the Contingency theory advocates a certain development of MCS in response to a certain contingency.

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To all our family and friends,

Thank you for putting up with us and making this study possible.

Gothenburg, June 03rd 2018

Isabella Sexton

Victor Lindman

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1. Introduction

1.1 Background

There are approximately 1,2 million registered companies in Sweden (Tillväxtverket, 2017). 99,9% of these companies are classified as small and medium-sized enterprises (SMEs). SMEs generate 60% of the total turnover and employ 60% of the total labour force (Tillväxtverket, 2017). These statistics illustrate SMEs' sizeable impact on the economy and employment creation (European Commission, 2017). International estimations indicate that SMEs have an equal impact in other countries (Armitage et al. 2015; European Commission, 2017; ISO, 2015; Shields & Shelleman, 2016).

Despite SMEs' influence on economies worldwide, research regarding Management Accounting (MA) in SMEs has only recently been enjoying a growing interest (López & Hiebl, 2015) and the topic has historically not been considered "fashionable" (Mitchell & Reid, 2000). Several studies have shown that MA has a positive effect on the overall business performance of SMEs (Argilés & Slof, 2003; Hakola, 2010; King et al. 2010; Laurinkeviciute & Stasiskiene, 2011; Lybaert, 1998a, 1998b; Marriott & Marriott, 2000; Peel & Bridge, 1998; Sharma & Bhagwat, 2007; Sousa et al. 2005; Zengin & Ada, 2010), motivating further research on the subject. MA is a wide term, which could be conceptualized as the analytical tool managers use to plan, control and improve the efficiency of the firm (García Pérez de Lema & Duréndez, 2007; Gunawan et al. 2008; Howorth & Westhead, 2003; Ilias et al. 2010; Sharma & Bhagwat, 2007). Hence, MA is considered an important corporate function that supports the main business functions by providing information that is valuable to all companies for planning and control (Foster & Young, 1997; Burns & Scapens, 2000).

There is reason to distinguish research on MA in SMEs and research on MA in large companies. Specific MA practices and techniques designed and based on the characteristics of large companies have previously been "downsized" with no adjustment to the characteristics of SMEs, causing unsuccessful implementations (López & Hiebl, 2015). The differences in structure, characteristics and environment complicate a general study on the topic of MA regardless of company size. In other words; a small business is not a little big business (Welsh & White, 1981).

1.2 Problematization

Previous studies have investigated different aspects of the use of MA in SMEs. The two main trends have been to either evaluate the complexity of the MA processes or to examine the occurrence of specific MA techniques. The studies have been performed in diverse geographic areas, including Gaza (Alattar et al., 2008), Malaysia (Ahmad, 2014), Finland (Ylä-Kujala et al., 2016), Portugal (Da Silva Laureano et al. 2016), the United States of America (Shields & Shelleman, 2016), Australia (Armitage et al., 2015), and Canada (Armitage et al., 2015).

The Contingency theory has served as the main explanation of the differences in MA usage. When applied to MA, Contingency theory describes how well the match is between the MA practice and the situation in which it is implemented (Chenhall, 2007; Fisher, 1998). The Contingency theory acknowledges every organisation's unique conditions and operational environment and stipulates that these differences impose customized solutions (Fisher, 1998). Previous studies have identified several factors that influence the MA in individual SMEs, including the size of the company, the amount of disposable resources, the complexity of the organization, and education.

The Contingency theory has been questioned in its role as the leading theory in the research of MA usage in SMEs. In 1998, Mark Dirsmith applied the theory of Social Construction of Reality to a small company. Dirsmith (1998) described a small company as a "micro-world" in which the manager has created his/her own reality which influences decision-making and creates MA practices and routines. Perren and Grant (2000) formulated the Social Construction of MA Framework based on Dirsmith's idea of a micro-world in order to study the entry points where MA techniques and processes from a macro level influence MA usage in the micro-world of a small company. The manager of a micro-world proved to act as a filter between the micro-world and macro level ideas. The authors claimed that the Contingency theory was not able to fully explain the differences in MA between large and small businesses. *"Small businesses lack what are conventionally referred to as formal systems and that as the business becomes larger so the systems become more formalized"* (Perren & Grant, 2000, p. 393). The authors also questioned the contingency-based studies' ability to identify informal MA processes; *"Some research suggests that small businesses have little management information, poor control and that decision-making is ad hoc. Other research suggests that small businesses acquire effective information and control through informal means, and that decision-making can be sophisticated"* (Perren & Grant, 2000, p. 393).

This study aims to look beyond the complexity level of the MA processes and the occurrence of specific MA techniques in SMEs. Previous studies have concluded that MA processes and techniques are present in SMEs but not to the same extent as that of larger companies. We would like to contribute to the research on MA usage in SMEs by understanding the underlying causes and motives, which lead to the occurrence of specific MA techniques and the overall MA complexity level in SMEs. Our research strategy will be following the suggested strategy formulated by Granlund and Lukka (2017), which advocates the combination of an emic perspective and an etic perspective. *"...emic and etic understandings can be usefully combined in research, allowing insights from the emic domain to provide information about the practices of everyday life and the meanings people give them (studying the system from inside), while the etic perspective relates to the conceptualisations, analytical perspectives and theorising concerning the system (viewed from outside)"* (Granlund & Lukka, 2017, p. 65). By applying both the Contingency theory and the Social Constructionism theory to our empirical findings, we expect to be able to analyse the empirical data in a nuanced representation of the SME's environment in which the MA processes are developed.

1.3 Purpose

The purpose of this study is to what drives MA in small companies to develop and emerge. By conducting a case study of four small companies, we seek to understand the underlying causes and motives behind the implementation and development of the identified MA processes.

1.4 Problem Statement

How is Management Accounting developed in small companies?

1.5 Scientific Contribution

The results of this study will derive from small companies with 10-49 employees making this study a contribution to the research on SMEs in general, and specifically to the research on small companies. Previous studies have mainly focused on SMEs in general or specifically on micro companies, making this study interesting in comparison. Further research on MA in SMEs will benefit the research area, as well as SME practitioners, and contribute to more developed and adapted MA processes in SMEs.

Previous studies on MA in SMEs have been focusing on the usage or maturity level of formal management accounting systems and processes. By conducting a qualitative investigation through four case studies, we expect to gain an in-depth understanding of the main phenomena regarding the actual development of MA in SMEs, and to enable a more exploratory study capable of identifying both formal and informal elements and practices.

This study will contribute by applying two theories in parallel; an etic perspective derived from the existing Contingency theory-oriented studies and an emic perspective derived from the existing studies based on the Social Constructionism theory. We expect the application of the two theories to generate a nuanced representation of the SME's environment in which the MA processes are developed. Further, this study will contribute with results from Swedish small enterprises.

2. Theoretical Framework

The introductory sections of the following theoretical framework will establish the definition of an SME (section 2.1) and the concept and elements of MA (section 2.2) necessary to fully comprehend this study. Section 2.3 will discuss the Contingency theory and the Social Constructionism theory in the context of MA. The two theories, providing an etic and an emic perspective, will be used in the analysis of the empirical findings (section 5). The final section of the theoretical framework (section 2.4) will discuss previous findings in the use of MA in SMEs and will be applied for comparison to the analysis of the findings in section 5.

2.1 Small and Medium-sized Enterprises

The Swedish definition of an SME follows the definition formulated by the European Commission. The European Commission defines an SME as a company with less than 250 employees, 50 million euros in annual turnover or a balance sheet of 43 million euros (European Commission, 2017). The SME segment can be divided into three different company categories based on the numbers of employees; micro companies employ 1-9 people, small companies employ 10-49 people and medium companies employ 50-249 people (Tillväxtverket, 2017).

The definition of SMEs used in previous studies is inconsistent and varies mainly between a definition based on local legislation and the definition presented by the European Commission. However, the main variables of the different definitions are annual turnover, number of employees, or a combination of the two (López & Hiebl, 2015). This study will use the European Commission's definition of an SME.

2.2 Management Accounting

Management Accounting (MA) is a broad concept with different interpretations of its meaning and includes several practices (López & Hiebl, 2015). In *Issues in Management Accounting*, the definition of MA is to calculate *"...organisational performance for decision making, coordination and motivation using techniques such as cost allocation, responsibility centres, transfer prices, product costing, performance measurement and budgeting. All are expected to contribute to increased firm value"* (Hopper, Northcott & Scapens, 2007, p. 3). MA in its current practice has also been interpreted as *"...that part of the management process which is focused on organisational resource use. Thus, it refers to managerial processes and technologies that are focused on adding value to organisations by attaining the effective use of resources, in dynamic and competitive contexts"* (Baxter & Chua, 2006). MA also has a significant role in performance measurement (Chenhall & Smith, 2011), and there is a trend showing that increased usage of MA also increases performance (López & Hiebl, 2015).

Chenhall (2007; 2003), explained that what further confuses the concept of MA is that the term is used synonymously with Management Accounting Systems (MAS), Management Control Systems (MCS), and Organizational Controls (OC).

MA involves the techniques or practices collectively, whilst MAS can be explained as the organised use of MA to reach a goal. MCS includes MAS and other controls, such as personal and clan controls. OC refers to the more specific techniques used in activities or processes (Chenhall 2007; 2003).

This thesis will be applying the term MA as it deems most relevant to explain the concept examined. MA in this study more specifically refers to the collection of information, the processes leading to decision-making, and the characteristics of these. Hence in this study, MA refers to the management of resources (Baxter & Chua, 2006; Chenhall & Smith, 2011), while focusing on decision-making or control of the firm (Hopper, Northcott & Scapens, 2007) through the collection and processing of information and data.

2.2.1 Formal and informal control

Jaworski (1988) identified two categories of control, namely formal control and informal control. Having one form of control does not exclude the other from being present - they may even complement each other (Collier, 2005; Jaworski, 1988). Elements of informal control, such as social or culture, are strong and can sometimes shift power in an organisation (Collier, 2005).

Formal controls are written instruments or structures, often brought on by management, that affect the probability of people in the organisation behaving in a way that will reinforce stated objectives (Jaworski, 1988). These controls are documented and can, for example, include budgets, plans, regulations and systems. Implementing formal controls implies the assumption that employees' individual goals do not correspond with those of the organisation (Jaworski, 1988). Jaworski (1988) divides formal controls into three categories; input control, process control, and output control. *Input control* exists when management takes measurable actions before the implementation of an activity, for example, training programs, resource allocation, and strategic planning. *Process control* refers to the process of controlling the means of performing tasks, ensuring that activities are carried out in a certain way, instead of controlling the results of said activities. *Output control* refers to the measuring of results and monitoring of performance standards, without having to closely monitor the process or means of achieving results or targets (Jaworski, 1988).

Informal controls are unwritten controls that affect the behaviour of people in an organisation, either individually or as a group (Jaworski, 1988), and are especially present in organisations driven by entrepreneurs (Collier, 2005). These controls do not necessarily need to support the stated objectives in the organisation (Jaworski, 1988). Examples of informal controls include norms, socialization and organisational culture (Collier, 2005; Jaworski, 1988). There are three categories of informal controls; self-control, social control and cultural control. *Self-control* is performed at the lowest aggregated level of the organisation, which is the individual. It refers to the creation, adaptation and monitoring of one's own objectives, their fulfilment, and one's behaviour. However, self-control is not the same as having no control (Jaworski, 1988). In *social control*, norms or standards of the group are established and arise from the sharing of values and commitment toward a common objective. Deviations

are handled in the group through colloquial language or humour, or if more serious deviations occur, through pressure (Jaworski, 1988). The third category is *cultural control*, which involves the entire organisation and portrays the wider values and norms implemented. Cultural control is created through a lengthy process of stories, rituals and social interactions. This control can become very strong and may even override the power of written objectives (Collier, 2005; Jaworski, 1988).

Trust

Trust can affect supervision and financial contexts of MA tools in an organisation. For instance, a lack of trust can be perceived when measurement and control is introduced, as the relationship may be negatively affected. There is a relationship between the employees and the manager that can change as conditions in, for example, MA changes. (Swift, 2001).

Trust cannot be commanded; it must be earned through repeated trustworthy behaviour (Swift, 2001). There are several levels of trust, not only complete trust or distrust, and a relationship can contain elements of both (Swift, 2001). Furthermore, having trust in another party often follows the ability to predict the behaviour of the other party (Swift, 2001). The three main components that yield trust are benevolence, ability and integrity (Mayer et al. 2007). Benevolence is defined by Mayer et al. (2007, p. 345) as *“the extent to which a party is believed to want to do good for the trusting party, aside from an egocentric profit motive”*. Ability refers to the perceived capability of the trustee to perform as is expected, and integrity refers to the devotion to moral values and can be portrayed through honesty, reliability and how others are treated (Mayer et al. 2007). All three components must be present for a trusting relationship to exist, where benevolence is the one that takes the longest to judge (Mayer et al. 2007).

A relationship that is built on trust has been shown to yield more accurate, relevant and complete information, it will not need formal controls to ensure that each party performs to expectations, and can even avert opportunism in organisations (Swift, 2001), nor will the willingness to take risks be actively avoided (Mayer et al. 2007). However, trust is not always mutual and matching (Mayer et al. 2007). Furthermore, positive expectations tend to lessen the perceived need for control as the relationship becomes stronger in trust, and the organisation can even become more profitable when a higher level of trust is present. However, trust also augments vulnerability, as formal control is opted out of (Mayer et al. 2007). When used correctly with transparency and open communication, MA could strengthen the level of trust in an organisation (Mayer et al. 2007). A very strong system of controls can however hinder the trust developing in an organisation, one example being that an employee's performance may be considered a result of the system and not that of the individual (Mayer et al. 2007). One additional finding by Mayer et al. (2007), is that trust in managers that can be established and maintained makes for a strong competitive advantage.

2.3 Theoretical development of MA

2.3.1 Contingency Theory

The Contingency theory acknowledges every organisation's unique conditions and operational environment and stipulates that these differences impose customized solutions (Fisher, 1998). Its development began in the 1970's as an attempt to clarify the reasons behind the spread of MA practices implemented (Otley, 2016) and has since been visible in the study of management control systems (Chenhall, 2007). One main idea contributing to Contingency theory comes from the inseparability of a MA system's design and the organisational structure in which it is realised (Hopwood, 1974; Otley, 2016). This means that, rather than using best practice, each solution will be adapted to each particular situation. This theory proposes that *"organisational effectiveness results from fitting characteristics of the organisation.... to contingencies that reflect the situation of the organisation"* (Donaldson, 2001, p. 1). The viewpoint is that organisations seek to align the contingencies to the external environment to improve performance (McAdam et al. 2016), making the process dynamic and ever changing – particularly in environments of fast moving business (Donaldson, 2001; Otley, 2016). Overall, the business environment has become more competitive and changes at a more rapid pace than in the past, resulting in a higher degree of uncertainty. This is also partly due to technological developments and the business environment becoming more international (Otley, 2016).

When applied to MA, the Contingency theory describes how well the match is between the MA practice and the situation in which it is implemented (Chenhall, 2007; Fisher, 1998). Since all organisations do not have the same conditions, different solutions will work better in some organisations than in others. The design of the MA practice will depend on the context in which it is implemented (Chenhall, 2003; 2007). MA research that is Contingency-based tends to view techniques of MA as passive tools that exist to aid decision-making for managers (Chenhall, 2007). This means that Contingency theory research in general relies more on the traditional view of MA tools than the more active approach, which is more sociological (Chenhall 2007).

There are contingencies in any setting that will affect the fit of a control system and how the attributes of it will be linked to performance (Fisher, 1998). There is an immense number of contingencies to consider, Fisher (1998) suggested five categories of contingent control variables, but not all of them will have the same effect in every business. There are environmental and positioning factors, where the first category consists of factors outside the firm's control and the second category consists of variables over which they do have influence (Fisher, 1998). Examples of external contingencies are technology, market competition or hostility, and environmental uncertainty (Otley, 2016). Examples of internal contingencies include strategy, culture (Chenhall, 2007; O'Regan & Ghobadian, 2006; Sousa & Voss, 2008; Otley, 2016), size of the organisation, structure, compensation systems, information systems, psychological variables, market position, systems change (Otley, 2016) and product life-cycle (McAdam et al. 2016; Otley, 2016). Otley (2016) also argues that performance sometimes makes

up a contingency, this might explain the reliance a company places on MA practices.

2.3.2 Contingency factors in SMEs

Firm size

A principal factor in MA usage among SMEs has been proven to be firm size (Ahmad, 2014; Alattar et al., 2008; Armitage et al., 2015; Chand & Dahiya 2010; Da Silva Laureano et al. 2016; El-Ebaishi et al. 2003; Elhamma 2012; Hudson et al. 2001; Neubauer et al. 2012; Odar et al. 2012; Peel & Bridge 1998; Perren & Grant 2000; Saccani et al. 2006). Studies have shown that the size of the company highly impacts the use and complexity of the MA systems. The larger the company, the more use it makes of MA systems (El-Ebaishi et al. 2003; Elhamma 2012; Neubauer et al. 2012; Odar et al. 2012). Larger companies are also more likely to use complex MA practices (Askarany et al. 2010; Da Silva Laureano et al. 2016), and medium-sized companies will be more prone to using MA than small-sized companies (Ahmad, 2014; Chand & Dahiya, 2010; López & Hiebl, 2015). Further, the MA adopted in larger SMEs is generally more complex than MA adopted in smaller SMEs (Armitage et al., 2015; López & Hiebl, 2015). Changes in size due to performance will also alter the use of MA, downsizing leads to less MA while growth in size generally promotes increased MA usage (Ahmad, 2014; Alattar et al., 2008; Askarany et al. 2010; López & Hiebl, 2015).

Internal Environmental Factors

Amat et al. (1994) stress the influence that the interaction of both inner and outer environment has on accounting change. Rather than each aspect driving change individually, the combined environments create conditions for change (Ibid.). Corporate strategy is part of the internal environmental factors that can influence the usage of MA (Amat et al. 1994). With changes in strategy it is not uncommon for companies to implement a higher degree of MA (Ibid.). This can be due to the opportunities provided to undergo changes throughout the organization that follow a strategic change or development, and as an organisation meets increased competition, the strategy may be adapted to consider it (Amat et al. 1994).

The available resources have also proven to be a key factor in the use of MA among SMEs. Studies have shown that a limited amount of available resources correlates with a low use of MA (Brierley 2011; Chand & Dahiya 2010; Howorth & Westhead 2003; Laitinen 2011; Marriott & Marriott 2000). SMEs cannot always afford external help with MA and generally lack the knowledge required to develop and work with MA techniques single-handedly, meaning that they will have little or no formal MA in the organisation (Garengo et al. 2005; Mitchell & Reid, 2000; Laitinen, 2011). MA is rarely the main priority to spend resources on in an SME (Garengo et al. 2005; Mitchell & Reid, 2000; López & Hiebl, 2015). Objectively and potentially relevant MA techniques are often neglected, as the cost of use is perceived to exceed the perceived benefits of decision-usefulness (Armitage et al., 2015). There is however a positive correlation between profitability in a firm and the use of MA (Amat et al. 1994; Mitchell & Reid, 2000). As profitability increases, expansions and further investments also tend to increase. This often leads to a higher need for MA to maintain control as the firm becomes more complex and profitable (Mitchell & Reid, 2000). Also, after

financial problems or after taking financial risks, companies are more inclined to increase the implementation of MA techniques to augment levels of control (Amat et al. 1994; López & Hiebl, 2015).

SMEs tend to have a simpler organisational structure (López & Hiebl, 2015; Mitchell & Reid, 2000), although, higher complexity in SMEs' organizational structure has been found to positively correlate with increased usage of MA systems (Becker et al. 2011; Cassia et al. 2005). This is partly due to the increased need for adequate communication between departments or even employees that follows with an increase in complexity. Using MA, such aspects as a cost accounting system, a budget for each department or implementing reporting requirements, can aid the communication in the firm as complexity advances (Amat et al. 1994). Complex organizational structures have more interdependent departments and the need for information and thus for (more) sophisticated MA systems is higher (López & Hiebl, 2015).

The level of education and professionalism of employees in accounting functions within the organization have also been proven to influence the use of MA in SMEs (Alattar et al., 2008; López & Hiebl, 2015). The lack of training among SME owners and staff was also found to lead to MA that was geared more toward external stakeholders and less toward internal information needs (Mitchell & Reid, 2000; López & Hiebl, 2015). As professionalism increases, or a company employs more people, the use of MA tends to expand, one example being the implementation of responsibility centres with annual budgets (Amat et al. 1994). Contrarily, a firm that lacks human resources will be less likely to implement MA (Garengo et al. 2005).

Another limited resource in SMEs is time. Often, the manager or owner oversees both the daily operational work and the executive functions (Garengo et al. 2005; López & Hiebl, 2015). This manager seldom has the time to spend on non-operational projects and hence will be more reluctant to invest time in MA (Ibid.).

External Environmental factors

Changes in the social, political or economic environment can result in conditions that affect MA, one example being economies opening when governments transform from a dictatorship to a democracy. Changes like these were found to induce higher usage of management accounting systems in SMEs, as the companies were required to introduce more formal procedures because social control was higher (Amat et al. 1994). A reduction on import tariffs, governmental support, and globalization may increase pressure on a company to increase control, which can lead to a higher use of MA (Ibid.). Furthermore, if a government supports a company through, for example, funding in R&D projects, the pressure for increased control and MA escalates (Amat et al. 1994).

Strong business competition has also been proven to be a key factor that increases the use of management accounting systems (Amat et al. 1994). Companies facing intense competition have a higher need to reduce costs and control pricing and will correspondingly be more likely to adopt MA (Chand &

Dahiya 2010). On the contrary, SMEs in environments with low and predictable competition will contrarily be less likely to use MA since the need is not perceived (Laitinen, 2011; López & Hiebl, 2015).

2.3.3 Social Constructionism Theory

In 1967, Peter Berger and Thomas Luckmann published *The Social Construction of Reality*, which came to have substantial influence on the social science by claiming that reality is socially constructed. Their theory of the social construction of reality is described as “*the process whereby people continuously create, through their actions and interactions, a shared reality that is experienced as objectively factual and subjectively meaningful*” (Wallace & Wolf, 1999, p. 277).

The foundations of societies consist of humans and human interaction, which Berger and Luckmann conceptualize as habitualization. By introducing the aspect of time, habitualization states that “*any action that is repeated frequently becomes cast into a pattern, which can then be ... performed again in the future in the same manner and with the same economical effort*” (p. 52). Hence, humans are constantly constructing society while also accepting society from previous human interactions. Humans of today have “inherited” society, making it possible to describe society as a habit. Berger and Luckmann continue by stating that knowledge is grounded in social existence, i.e. society, and therefore correlates with societal changes. Individual beliefs, conceptions and knowledge become embedded in society concluding that reality is socially constructed. Furthermore, Berger and Luckmann state that any group of humans forms a society, which holds different beliefs, values and conceptions. The members of the group perceive reality as the specific group defines it. Since all humans are part of different groups, the definition of the reality changes depending on the group membership.

In 1979, Gibson Burrell and Gareth Morgan incorporated Berger and Luckmann’s theory (1967) into organizational science in their attentive paper *Social Paradigms and Organizational Analysis*, creating the initial bridge between MA and Social Constructionism theory. The concept of a “micro-world” within a small company was established by Mark Dirsmith (1998) who used the theory of the social construction of reality to describe how managers of small companies operate. Dirsmith (1998) described a small company as a micro-world in which the manager has created his/her own reality which influences decision-making and creates MA practices and routines.

2.3.4 The social construction of MA

Lew Perren and Paul Grant (2000) decided to combine Dirsmith’s (1998) idea of idiosyncratically created MA generated from the company’s micro-world with the MA ideas from a macro-level. The authors constructed a framework, called *the social construction of management accounting*, from these two perspectives in order to explore MA within the small business context. The framework is constructed as a process map illustrating the chains of causality from the manager’s experience of macro-level MA knowledge, the manager’s habitualized routines and perception of “facts” and the employees’ process of habitualized MA routines.

“In the ‘micro-world’ of the owner-manager he/she has control and the management accounting knowledge from the outside becomes flexible in nature. The owner–manager also has control of the entry of management accounting knowledge to ‘micro-world’ and its potential to influence action. For example... ..it is not the level of sophistication of the systems being used but the owner–manager’s willingness to use the information” (Perren & Grant, 2000, p. 402). Hence, the manager acts as a filter between the external influences and his/her micro-world with an ultimate veto of what information may result in action (Perren & Grant, 2000). The terminology of MA within the ‘micro-world’ is also controlled by the manager. Perren and Grant (2000) state that; “...it is perhaps possible to suggest that the internalization process is evidenced in the way that the owner–managers present some aspects of their ‘micro-worlds’ as being the ‘truth’ and not created” (p. 399).



Table 1. The social construction of management accounting framework

The social construction of management accounting framework identifies three sources of MA knowledge, which have a chance of influencing the MA within the owner-manager’s micro world:

- Previous personal experience of the owner-manager (1)
- External MA expertise and accounting software (6)
- Previous personal experience of other employees (10)

The owner-manager's previous MA knowledge and experience acquired from other organizations (1) serves as a major source of macro-level objectified MA imported into the company. The macro-level objectified MA has already been evaluated and approved by the owner-manager and is brought to the micro world on his/her own terms. *"The management accounting concepts are not slavishly adopted, rather the owner-managers flexibly interpret them and maintain control of meaning within their 'micro-world'"* (Perren & Grant, 2000, p. 401).

The entry of macro-level objectified MA through external expertise and accounting software (6) demonstrates the control and power of the owner-manager in his/her micro world. Objectively, valuable advice and suggestions from external MA experts consulted or encountered by the owner-manager risk to be dismissed by the owner-manager because of the conflict with his/her micro world. The owner-manager often *"...expect the external accountant to join them in the reality of 'micro-world', to share its language and to alter macro-level objectified management accounting to match with their reality"* (Perren & Grant, 2000, p. 402). Ultimately, the owner-manager is reluctant to use accounting software or the services of an external MA expert.

MA knowledge imported from the previous experience of the owner-manager (1) or external expertise and software (6) will be entered into the owner-manager's cycle of personal action. The two MA sources (1, 6) will influence the owner-manager's actions in the micro world (2) leading to the externalization (3) and habitualization (4) of MA routines which will generate objectified MA facts in the micro world (5) approved by the owner-manager directly affecting the actions of the employees (7).

The third identified source of MA knowledge originates from the previous personal experience and knowledge of an employee (10) in the company. The owner-manager controls who is employed in the company, accepted in the micro world and whether the new external MA knowledge will result in new actions (Perren & Grant, 2000). However, if the MA routine is implemented outside of the owner-manager's direct spectra the previous knowledge of the employee (10) is more likely to influence his/her work habits (7) and the work of his/her colleagues (8) generating a habitualized MA routine which will soon be perceived as an objectified MA fact (11) in the micro world.

Perren and Grant (2000) also identify the owner-manager's fear of failure to be a prime motivation for many of the MA actions affecting the owner-manager's cycle of personal action (2, 3, 4). *"Fear may seem an extreme word, but it was selected rather than anxiety because it refers to 'feelings about tangible and predominately realistic dangers' which business failure certainly is, whereas anxiety refers to less tangible sources of concern"* (Perren & Grant, 2000, p. 403). *"Fear also seems an appropriate term when considering that the owner-manager and the business are inextricably linked, so cashflow problems in the business will cause problems for the owner-manager personally"* (Perren & Grant, 2000, p. 403).

2.4 Documented usage of MA in SMEs

Recent studies have investigated different aspects of the use of MA in SMEs. The two main trends have been to either evaluate the complexity of the MA processes or to examine the occurrence of specific MA techniques. The studies have been performed in diverse geographic areas, including Gaza (Alattar et al., 2008), Malaysia (Ahmad, 2014), Finland (Ylä-Kujala et al., 2016), Portugal (Da Silva Laureano et al. 2016), the United States of America (Shields & Shelleman, 2016), Australia (Armitage et al., 2015), and Canada (Armitage et al., 2015). The definition of an SME and the selected sample size varies between the studies, but several elements and findings are recurring. The studies showed that MA processes and techniques are present in SMEs but not to the same extent as that of larger companies. SMEs are in some studies described as companies with low and inadequate MA processes in need of improvements (Da Silva Laureano et al. 2016; Ylä-Kujala et al., 2016).

A Portuguese study (Da Silva Laureano et al. 2016) used Kaplan's Four Stage-model to classify the level of maturity of MA in SMEs. According to the model, each company can be positioned in one of four stages, each stage representing different MA characteristics. Stage 1 includes companies with inadequate MA methods of low quality with the sole purpose of meeting financial accounting needs. MA in stage 2 is characterized by MA methods oriented towards financial reporting needs. Stage 3 includes innovative MA methods with high relevance to management. Companies in stage 3 use Activity Based Costing (ABC) to allocate costs and Balanced Scorecard (BSC) to generate quantitative and qualitative information for performance evaluation. Stage 4 includes the MA instruments in stage 3 but integrate them in complex computer systems. Companies in stage 4 *"...prepare their external reports using information from the management account itself, which constitutes an inverse philosophy when compared to the second stage where accounting management systems are developed from other systems created to satisfy financial accounting needs"* (Da Silva Laureano et al. 2016, p. 143). The results showed that all 58 participating SMEs belonged to stage two of Kaplan's model (Da Silva Laureano et al. 2016). *"The accounting methods of firms in stage 2 are mainly driven towards external reports. The necessary information used to produce the reports is duly processed and analysed and has no significant errors"* (Da Silva Laureano et al. 2016, p. 141). *"The allocation of products' costs is inadequate for decision-making, since the indirect costs are split using criteria sensitive to the quantities produced or sold, such as man-hour and machine-hour"* (Da Silva Laureano et al. 2016, p. 141).

In 2014, Kamilah Ahmad published his quantitative study regarding the adaptation of MA practices in Malaysian SMEs. The questionnaire consisted of 45 specific MA techniques compiled by Ahmad which the respondents were asked to rank based on the extent of use. *"The results indicate that the traditional MAPs (Management Accounting Practices) such as conventional budgeting, traditional costing and financial performance measures are widely used by the respondents. The results also show that a significant number of respondents have adopted one or more measures both financial and non-financial but the reliance on financial*

measures is greater than for non-financial measures” (Ahmad, 2014, p. 236). Ten of the 45 MA techniques were used to a high extent by the respondents.

Howard Armitage, Alan Webb and John Glynn conducted a joint study in Canada and Australia focusing on the use of MA techniques in SMEs (2015). To identify the MA techniques potentially used by the respondents, the authors collected data from the leading MA textbooks used by Canadian universities and colleges to identify the main topics of their interview guide. 19 MA techniques in four different categories were included in the interview guide. Only six of these 19 MA techniques were used to a high or moderate extent by 50% of the respondents.

3. Methodology

3.1 Strategy of the Research

This thesis takes two theories into consideration, the Contingency theory, which mainly considers etic aspects (Chenhall, 2003; Granlund & Lukka, 2017), and the Social Constructionism theory, which is oriented toward emic aspects (Perren & Grant, 2000). Research on MA in SMEs has previously applied these theories separately. Granlund & Lukka (2017) suggest that a research strategy including both emic and etic research perspectives can provide new insights and a more holistic view. *“...emic and etic understandings can be usefully combined in research, allowing insights from the emic domain to provide information about the practices of everyday life and the meanings people give them (studying the system from inside), while the etic perspective relates to the conceptualisations, analytical perspectives and theorising concerning the system (viewed from outside)”* (Granlund & Lukka, 2017, p. 65). Furthermore, the value of standard or exact measures decreases if these cannot include real-life views that may affect MA in a business (Ibid.). Granlund & Lukka (2017) further argue that the importance of certain contingencies could be different when studied from a combined perspective.

A qualitative configuration was used for this study, as it is more apt when investigating opinions, knowledge, and practices in the field (Flick, 2009). A qualitative approach with semi-structured interviews allows more opportunities to capture opinions and a deeper understanding of the respondents. Meeting with the companies to discuss their businesses and the respondents' opinions, beliefs and values provided a good basis to analyse the development of MA in these companies and may capture emic aspects (Granlund & Lukka, 2017). We expect to gain a more in-depth understanding of the case companies using this research strategy. A qualitative strategy is also suitable when exploring areas that are less researched (Flick, 2009) and situation-specific variables often become easier to find and understand (Bryman & Bell, 2013). Aspects of a company's control mechanisms can be easier understood when they are pointed out by an interviewee, as they may not be visible to an independent observer. Through a qualitative approach, the significance of previously unconsidered factors that can affect the outcome of the research may be observed (Bryman & Bell, 2013). Qualitative research requires text, first searching for relevant findings, theories and frameworks, which will be applied in the interviews to ease the process of creating questions, but also to facilitate further analysis and results (Flick, 2009). Qualitative research can be described as moving back and forth between theory and text (Ibid), as the collection of verbal information through interviews is connected to previous findings. Applying an interpretivist standpoint was relevant for this study, as it acknowledges the effects that social actions may have on the research (Bryman & Bell, 2013). Since the perception of MA and the culture in a company will affect the practices in an organisation, an interpretivist standpoint is adequate (Bryman & Bell, 2013; Flick, 2009).

3.2 Design of the Research

The research design differs from the strategic research approach as it refers to the techniques used to collect information (Bryman & Bell, 2013). This research used case studies to gather the empirical data. Case studies can be outlined through the research of an organisation, a location, a person or an event (Bryman & Bell, 2013). Since there is limited previous research on MA and SMEs, case studies are an adequate research method (Bryman & Bell, 2013; Ferreira & Merchant, 1992; Flick, 2009). Case studies also provide an exceptional opportunity to gain an in-depth understanding of the situation, which a quantitative study cannot deliver as sufficiently (Ferreira & Merchant, 1992; Bryman & Bell, 2013). In this study, the organisations were investigated through interviews with people with prominent roles in the case companies. Four companies were included in the study, with two in-depth interviews in each. Furthermore, once the interviews had been performed, a comparative design was used to understand the differences and similarities between the cases and arrive at an understanding of the practices applied (Bryman & Bell, 2013). When comparing empirical evidence from a social event, such as an interview, it is important to limit other factors that may otherwise affect the findings, the main factor being cultural differences (Flick, 2009). To arrive at a comparable study, other influencing factors must be as neutral, or standard, as possible (Flick, 2009). This was avoided by limiting the research to Sweden, also limiting the risk of cultural differences being present. Differences in organisational culture may also influence the results (Bryman & Bell, 2013).

Decisions regarding sample size vary between the aim of wider coverage of the field, and the aim of deeper analysis. The first objective requires a larger sample of cases with broad knowledge whilst the latter objective requires deeper investigation and fewer cases (Flick, 2009). Since this study is aiming to investigate the companies and their organisations deeper, four cases provided a sufficient amount to perform the research. Case studies aid in gaining a deeper understanding of how the companies are managed and allow for differentiation (Flick, 2009). Furthermore, case studies can add significant variety compared to survey studies (Flick, 2009). Performing two in-depth interviews in each company can be argued as too small a sample to adequately portray a holistic understanding of the company. However, as the case companies are all small companies and the two respondents from each case have prominent roles in the company, the respondents delivered a fair representation of the relevant information needed. As the two chosen respondents have considerable influence and prominent roles, they could provide adequate information to comprise the cases, and interviewing additional respondents would not have provided more relevant insight.

3.3 Data Collection

Information from the case companies was gathered through semi-structured interviews. Semi-structured interviews are widely used in this type of research, and are preferred, as abstract ideas are easier to depict and understand, while room for reflection and follow-up questions is given (Bryman & Bell, 2013; Flick,

2009). The interviewee is often more likely to express his or her viewpoints in a semi-structured interview than in a standardised one, or in a survey (Flick, 2009). A semi-structured interview can capture the subjective reality of the interviewees (Flick, 2009), which is apt for this research. This design also makes the complex pool of insight that the subjects have on the topic easier to access (Flick, 2009). However, since eight interviews were conducted, it was necessary to keep a certain structure as this ensures comparability between cases, and ability to find contrasts and themes easier (Bryman & Bell, 2013). Each interview lasted approximately one hour, and all interviews were performed between March 30th and April 12th, 2018. All interviews took place at the respective company's locations.

The interviews were structured to a certain degree, using a flexible interview guide, which started with more open and unstructured questions which were later complemented, if needed, with more structured ones should the respondent go off topic. This method of questioning is used to avoid early evaluations while keeping the frame of reference, which is a recommended way of interviewing (Bryman & Bell, 2013; Flick, 2009). This method of interviewing also allows conversation and ideas to float more freely than using a structured interview guide and the respondent is given room to speak freely with his or her own words (Flick, 2009).

When choosing articles to include in the theoretical framework, the leading literature made a starting point. From the information provided there, articles and theories that built on the more cited works were researched, and two research streams could be identified as part of the theoretical framework in this research. Thoroughly examining the theoretical information facilitated the construction of the interview guide as it now consisted of questions unanswered in earlier studies. Once a theoretical base was implemented, previous studies were divided into themes apparent from trends that were identified. Furthermore, working from the two main streams of theory applied in this thesis, namely the Contingency theory and the Social Constructionism theory, allowed a clear division of themes and factors that might yield insights about the results.

3.4 Choice of Case Companies

Only companies that fulfilled the criteria of meeting the European Commission's definition of a Small SME with more than 10 and less than 50 employees were asked to participate in interviews for this study. Meeting with companies from separate industries could lead to valuable insights, as there are natural differences between these. However, these differences also risk becoming factors that unintentionally affect the results. The subjects interviewed were people having leading roles in the companies, such as chief executive officer (CEO) or chief financial officer (CFO). Since employees in small companies seldom have formal titles for their positions, we interviewed respondents with prominent roles. Two of the companies had a formal CEO (Case A and Case C), in the other two we interviewed the respondent who had a position equivalent to that of a CEO. These respondents were chosen as they had the most insight and could provide adequate information about the company from a more holistic

perspective. All interviews were conducted in Swedish to limit potential language barriers and to be able to grasp nuances that can sometimes only be present in one's mother tongue.

	Case A	Case B	Case C	Case D
Respondent 1	CEO	Chairman / CEO	CEO	CEO
Respondent 2	Department Manager	CFO	CFO	Active Owner

Table 2. Respondent Overview

3.5 Method for Analysing

When conducting research, there are two main approaches to consider - inductive and deductive approaches (Flick, 2009). This thesis applied a combination of the two, meaning that the research has moved back and forth between inductive and deductive thinking (Ibid.). The deductive approach is applied through the theoretical frameworks, theories and studying previous research to lay a foundational understanding of the topic (Bryman & Bell, 2013). The inductive approach uses the research findings to contribute to a more extended knowledge through empirical evidence (Ibid.).

This study applied both the Contingency theory and the Social Constructionism theory to better understand the development of MA in small companies. Once the interviews had been performed and the empirical data collected, the Social Constructionism theory was applied to better understand the powers of emic factors driving MA development through the perception of the owner/manager and the dynamics of problem solving. By using this method for analysis, this study is performed on a lower aggregate level, where each individual problem to solve has influence on MA development. The Contingency theory was applied to understand whether rationality could be found in the solutions derived from solving individual problems, which drives MA development in small companies, from an etic perspective. The Contingency theory describes how well MA techniques fit a situation (Fisher, 1998). It hence assumes that there is rationality present in choices of MA made by companies. This study strives to understand how the two theories relate to each other in MA development.

Before the analysis was performed data was reduced through transcribing, listening to the recorded material and reviewing notes several times before the information was divided into themes for analysis. The process of data reduction makes the information easier to analyse (Flick, 2009).

3.6 Research Quality

For research to be trustworthy, it must reach a certain level of quality, and some key criteria need to be met to ensure its trustworthiness (Bryman & Bell, 2013). Certain measures in this study have been taken to ensure trustworthiness; a closer description of the measures is described below.

3.6.1 Transferability

While the results from this study cannot be broadly generalised, findings from these cases may be applied and used for comparison to situations of similar characteristics (Shenton, 2004). To ensure transferability, stated similarities were clear, the study did not look to generalise, and a clear connection between the theoretical frameworks and the interviews was kept, as Saunders, Lewis, Thornhill, (2012) mean is important. Further, the number of participants, the length and number of interviews, and the period during which data collection took place has been stated for an increased understanding of the contextual situation that yielded results (Shenton, 2004). The results from this research yield an indication of the elements of MA that are applied by SMEs and can still apply to other SMEs outside those studied in these cases, given similar characteristics of the investigation (Ibid.). However, the results of this study will depend on the context of the characteristics of the organisations studied, the people contributing data, the methods employed in data collection, and the period in which the study was performed (Shenton, 2004).

3.6.2 Credibility

Credibility is a key criterion when conducting qualitative research and deals with the ensuring of the study considering what was intended (Shenton, 2004). Credibility hence considers the extent to which the collected data can support concluded results (Saunders, Lewis, Thornhill, 2012). Through a consistent work manner when choosing companies, applying interview techniques and writing an interview guide, credibility was strengthened in this study. Studying previous research on the phenomenon under investigation also provides credibility (Shenton, 2004). By letting the respondents take part in our thoughts at the end of the interview and getting these confirmed or altered should anything have been misinterpreted, we could ensure that the answers derived in the interviews matched the experiences, thoughts and opinions of the respondents (Bryman & Bell, 2013; Shenton, 2004). This is referred to as member checks, which is particularly important when conducting qualitative research (Shenton, 2004). Another important aspect is to adopt research methods that are acknowledged (Shenton, 2004). When conducting the interviews, we began with broad questions, successively making them narrower as the respondents described their experiences, thoughts and opinions. Being informed about the companies before meeting with them for interviews is also important. This can be done through studying websites, published documents such as annual reports, and even visiting the organization before beginning the data collection. (Shenton, 2004). For research to be credible, assuring the honesty of respondents is vital. This may be done by clearly providing respondents with the opportunity to not participate in the study, so that only willing respondents take part in the study (Shenton, 2004). We both e-mailed and phoned the companies and the respondents before meeting them to assure their willingness to take part in the study. We also made sure to explain the aim of the study before asking for participation; so that all interviewees understood our objectives and understood who may read this thesis.

3.6.3 Dependability

Dependability describes the consistency and ability to repeat the research, meaning whether other researchers, provided the same materials, could arrive at similar conclusions (Saunders, Lewis, Thornhill, 2012; Shenton, 2004). As qualitative research is context-dependent, complete dependability is difficult to ensure, although employing a structure and consistency of documenting progress can help assess dependability (Shenton, 2004). Even though the same results can be difficult to achieve, research methods should be clear enough for the research to be repeated (Shenton, 2004). Providing procedure descriptions, which facilitated the recreation of this study and allowing similar conclusions to be found, supports this. The dependability of this study was ensured through a logical and traceable method of working throughout the research process. Dependability was also strengthened by explaining the research design and implementation and the method of data collection (Shenton, 2004).

3.7 Limitation of the research method

There are certain limitations to this method of research. Primarily, it is difficult to statistically analyse qualitative research, and it is also difficult to generalise results (Bryman & Bell, 2013; Flick, 2009). Qualitative research also lacks the transparency which quantitative research has, and the researchers will almost always affect the research, also known as author bias (Bryman & Bell, 2013). However, the transferability aspect can remain secured as the conclusions from the research can be applied to other, similar situations (Flick, 2009). Furthermore, when conducting a qualitative study, social constructions and cultural nuances are easier to uncover.

3.8 Research Ethics

Showing respect and protecting the interests of those willing to participate in a study is an issue of vital importance (Flick, 2009), so a code of ethics must be followed. This study is based exclusively on consent and voluntary sharing of information, opinions and viewpoints. All participants were informed of the study, its purpose and area before meeting for interviews. Protecting the dignity and rights of participants is vital, as is confidentiality (Ibid.). Furthermore, recreating research without contributing to additional information or other insights is also considered unethical; this is part of the scientific quality (Flick, 2009). Research may not harm respondents or other participants, nor invade privacy or deceiving them of the aims of the research (Ibid.).

As all participants in this study expressed wishes for complete anonymity before agreeing to participate, this was a presumption we honoured when providing empirical evidence based on data collected in the interviews. The case companies shared information that may become sensitive had the identities of the companies and the participants been revealed. With complete respect for these requests, we have taken measures to secure total anonymity when providing results and performing the analysis. Not only is it important to follow an ethical code of conduct (Flick, 2009), but neglecting these wishes could bring unfavourable consequences had we not honoured them, to both the participants and to the research.

4. Case Overview

	Case A	Case B	Case C	Case D
Trade	Sports Facility	Construction	Kitchen Wholesale	Marine Partner
Established	1973	1996	1963	2005
Number of Employees	26	18	32	13
Decision-making levels	5	3	6	3

Table 3. Case overview

The empirical material is presented in a compiled section, describing each case separately. Each case has been translated into a decision-making level table illustrating the hierarchy of decision-making within the company, where the owners of the company constitute the top of the hierarchy and the individual employee the bottom of the hierarchy. The intermediate levels vary in numbers depending on the numbers of middle managers, department managers and management teams implemented by the individual case company. Each level may be able to make certain decisions within their area of responsibility but decisions exceeding this area will be delegated to an upper level. The decision-making level table will also be able to indicate the level of organisational complexity within the individual case company.

4.1 Case A

Case A is a sports facility founded in 1973. The company organizes and provides facilities and services for exercising sports to both companies and the general public. An externally recruited CEO, who has no previous relationship with the owners or the board of directors, manages the company. There are 26 individuals employed including facility workers, administration workers and sports instructors. Case A considers the competition from competing companies to be extensive and prominent.

Decision-making levels



Table 4. Decision-making levels in Case A

Case A could be divided into five levels of decision-making. The CEO constitutes the centre for decision-making and MA as the sole link between the daily internal operation and the external board of directors and owners. The management team has been put together by the CEO and consists of the CEO and the Facility Manager (FM). The CEO is responsible for three departments; Administration, Economy, and Instructors, and the FM is responsible for the Facility department. The CEO is further responsible for following and implementing the directives formulated and given by the owners and board of directors.

Previous experience

Case A recruited the current CEO in 2015. With no higher education, the CEO has only the standard Swedish “gymnasie” diploma. The CEO’s first qualified work title was as the Trade/Marketing Manager at a large national company. Three years later, the CEO received the same title for the Swedish branch of a large multinational company in the same industry. After four years at the multinational company, the CEO left and founded a promotion company employing 15 individuals. Ten years of entrepreneurship later, the CEO sold the promotion company and started working as the CEO of Case A.

The structure in the multinational company formed the CEO, which led to several changes when arriving at Case A. Routines for debriefing and reporting, meeting structures, employee evaluation processes and employee benefits were all carefully formulated into tools and templates by the multinational company and implemented in the aftermath Case A by the CEO. When founding the promotion company, the CEO was forced to learn how to organize and lead a management team, which also influenced the procedure and routines of Case A. However, the routines and processes received from earlier employers did not include any formal tools such as specific IT-systems or MA models.

Communication and MA processes

The MA processes in Case A are centred around an annual budget and regular meetings between the different levels of decision-making. The communication between the board and the CEO is executed through regular meetings, where the CEO presents how the company is developing and how set goals and budgets are progressing. As the linking level of decision-making between the internal and external parts of Case A, the CEO’s intensive use of the annual budget makes it one of the most important MA tools in the entire company. Every decision made by the CEO is put in relation to the annual budget. The annual budget is calculated at the beginning of the year by the CEO and then approved by the board of directors. The CEO uses statistics from previous financial years in order to formulate the budget. Case A generates the majority of the revenues from a consistent group of subscribing customers held by a one-year agreement which makes the revenue projections fairly uncomplicated.

The CEO is also responsible for the formulation of strategic goals, the cash flow management, and the margin and cost management. Strategic goals and the margin and cost management are both highly influenced by competitors. *“The difference between us and our competitors is small and every change in pricing is a risk of losing a customer. The same goes for strategic investments. We simply*

cannot make a risky investment because of the risk of losing both customers, money and our competitive advantage". New investments and strategic goals are carefully formulated through the CEO's analyses of industry trends and competitors. Every three months, a random group of subscribing customers is asked to participate in a digital customer survey organized by Case A. The participation in the customer survey is often high and the gathered information and suggestions also serve as valuable data in the decision-making and formulation of strategic goals and investments.

The cash flow management is monitored through regular controls of the bank account. The CEO is able to see the disposable amount available and the amount of the future outflows in the bank's IT-system and is then able to validate the current cash flow situation.

The management team is used by the CEO to coordinate the different departments, and to utilize the knowledge, experience and competence of the FM in larger decisions and investments. The management team interacts through regular meetings where they share and discuss information for decision-making.

The FM uses personal interaction and experience as MA tools within the Facility department. The employees in the Facility department meet each morning and are given specific tasks each day depending on what the FM considers to be currently most important. The FM works in close relation with the employees and is able to monitor the progress of the work and provide instant feedback without the help of other MA processes. The FM, who has many years of experience, identifies changes in the facility and necessary investments in the daily operations. The funding and details are discussed in the management team.

The CEO monitors the Economy department through regular meetings and with an IT-system, which the employees use for all economy functions including taxes, transactions, account payables and salaries. The economy IT-system also provides the CEO with annual reports and budgets.

The administration uses an IT-system to register bookings of the sports facility, which is used by the CEO for decision-making regarding the characteristics and behaviour of the specific customer and the occupancy of the facility. The CEO works closely with the employees in the Administration department and is able to monitor the progress of the work and provide instant feedback without the help of other MA processes.

Trust

Although the responsibility for the different departments have been divided between the CEO and the FM, the CEO does not grant the FM full trust in the FM's ability to run the Facility department. Initially, the FM had full control over the decision-making within the Facility department, including investments, changes in the facility, daily operations and the employees. After a few months in the company, the CEO experienced several incidents that affected the trust in the

FM's ability. The FM initiated a major change in the facility, which led to severe damage to the facility, in turn leading to high repair costs, caused ultimately by the misjudgement of the FM. The FM also made several investments, which exceeded the set budget, using urgent need as the justification for these investments. The CEO also considered the FM's ability to conduct formal interactions with the employees, including salary and benefits negotiations and performance evaluations, to be inadequate. The consequence of these incidents was a reduced level of trust. Today, the FM needs to discuss and clarify every change and investment with the CEO before implementation. The CEO is now also present at every formal conversation and negotiation between the FM and the employees within the Facility department. However, the CEO still has complete trust for the FM's ability to manage the daily operations of the facility.

The three remaining departments possess a higher level of trust. Instructors and Economy are free to pursue their set goals and work tasks without any involvement from the CEO. However, the CEO's trust for the administration department has been reduced due to several incidents. The administration employees were instructed to make contact with several customers prior to an important deadline. The CEO later discovered that some of these important contacts had not been made. The employees had forgotten about the task or had tried to make contact with the customers without success. The consequence of the failed trust led to more monitoring of specific assignments given to the employees, and also led to the CEO personally undertaking other assignments without any involvement from the employees.

The CEO had previously recruited friends and relatives to his/her promotion company, which resulted in several unsuccessful recruitments. These individuals had been given complete trust in their ability to fulfil their work assignments but failed to accomplish the tasks. The CEO believes that this has affected his/her trust in subordinates.

Recruiting

The CEO is responsible for the recruitment of new employees and values service-mindedness and a friendly approach toward customers as two of the most important characteristics of a potential candidate. The CEO says; "*everything revolves around relationships*" and states that his/her entire business philosophy is built on good service-orientation and customer treatment. Case A always recruits new employees using the help of a professional recruitment agency.

The CEO is confident in his/her own judgement regarding decision-making and finds it easy to gain support from the employees in his/her decisions.

Future changes

Case A is satisfied with how the organisation is functioning and has not identified any areas or routines in need of urgent adjustment. However, an analytical Business Intelligence (BI) system will be implemented in May 2018. The idea of the BI-system originated from the CEO's participation in a two-year business course focusing on sports management. Case A financed the participation. The CEO explains: "*We had no knowledge of the usefulness of an analytical IT-system*

prior to my participation in the business course and therefore had no plans to invest in such a system. The course helped me develop my reports and debriefings to the board of directors and these changes demanded an analytical tool, which we were introduced to during the course". The CEO was very satisfied with the business course and plans to introduce the BI-system to both the Administration and the Economy department. These departments will be providing and analysing data in the new BI-system.

4.2 Case B

Case B is a construction company that specializes in fieldwork, excavation, grounding and sewage/water installations. The contracts vary in magnitude from single households to large-scale procurements. Case B was founded in 1997 by three siblings. They are the sole owners of the company and constitute the majority of the votes in the board of directors. Case B does not have an officially appointed CEO but the daily operation is run by one of the siblings who also serves as the chairman of the board, hereafter referred to as the Chairman. The siblings are all working full-time in Case B. The Chairman is stationed in the administration office while the other siblings are working alongside the employees as construction workers. There are 18 individuals employed organized within three sections; Construction, Workshop and Economy. Case B considers the competition from competing companies to be limited and negligible.

Decision-making levels

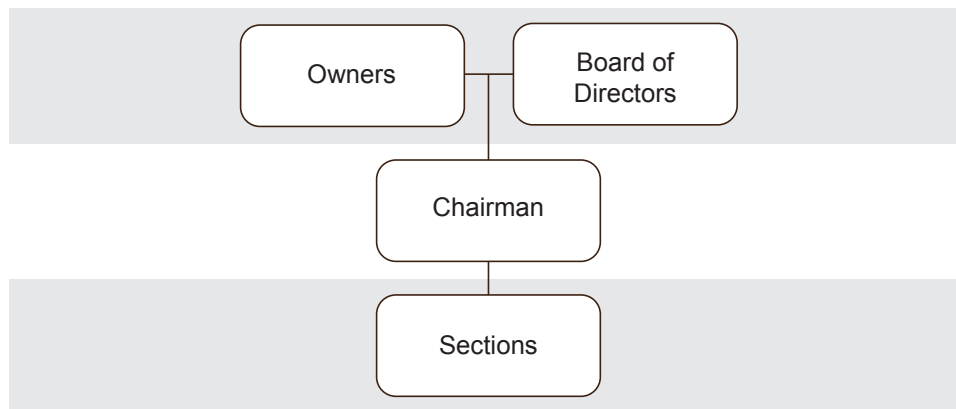


Table 5. Decision-making levels in Case B

Case B could be divided into three levels of decision-making. Since the owners and the majority of members of the board of directors consist of the same individuals, the difference between the two groups is strictly formal. The Chairman acts as the daily operational manager with sole responsibility for the three sections of employees. The sections are free to make decisions within their area of responsibility. Decisions exceeding these areas are discussed with the Chairman. Larger decisions, strategies and investments are discussed between the three siblings on the top level of decision-making.

Previous Experience

After nine years in elementary school, the Chairman invested in a tractor and started a small snow-clearing company. A few years later, the Chairman expanded the business with new machines including an excavator. Soon the Chairman's siblings joined the business and the range of the services and machines has expanded ever since. The Chairman is considered to be the most experienced and knowledgeable contractor and machine operator in Case B.

The majority of the current MA processes in Case B have been formulated and designed over time by the Chairman in response to his/her perception of managerial and organizational problems. The two siblings working with the construction workers have no interest or knowledge in management related matters.

The Economy section consists of one employee who was recruited from the previous external business administration partner making the previous external service into an internal function in Case B. The employee has no formal education in business administration.

Communication and MA processes

The Chairman is the most central and important component in Case B's MA processes. The monitoring of the sections, and the organization and planning of the daily operations are executed using a combination of self-created report cards and his/her own memory.

When receiving an incoming contract request, the Chairman visits the work site and decides if Case B is interested in accepting the contract request. The details are documented on a piece of paper. The Chairman also gathers estimations and information regarding the job in order to calculate the time needed to complete the contract, what material to use, and the number of machines and employees that should be assigned to the contract. Once the Chairman has accepted a contract request, a project summary is formulated by the Chairman including estimations of pricing, material, machines and a preliminary timeline. The project summary is mainly formulated using the experience and knowledge of the Chairman. The handwritten report is then given to the Economy section, where the information is entered into an economy IT-system for invoicing and registration of transactions.

At the start of a new contract, each employee assigned to the contract is given a physical time report card. The employee must fill in time spent and the progress of the work on a daily basis and then hand in the report card to the Chairman at the end of each day. By reading the time report cards, the Chairman is able to monitor the employees and the progress of each contract.

The Economy and the Workshop sections have also been given self-created physical report cards in which the Chairman has included specific information requests needed to stay in control of the company and to monitor the employees. For certain self-created calculations, the Economy section uses the IT-software Microsoft Excel.

Larger decisions, strategies and investments are discussed informally between the three siblings instantly when these matters occur. The Chairman also uses the occasional input of two external advisors before making larger financial related decisions. The strategic investments have been focusing on updating the machines and tools with modern and more efficient alternatives. Investments have also been made to expand the company into fields with less competition. *"We have been able to utilize the experience and knowledge of our employees and expand in areas within our field that is not as competitive as others. We are now expanding these areas with great success".*

Cash flow management, budgeting as well as marginal and cost management is managed and monitored informally by the Chairman. *"I usually check the bank account online to monitor the cash flow. We always have a lot to do so I have never been worried about not being able to pay. My only rule of thumb is to have a buffer equivalent of the amount of three months of wages for the entire staff. If anything unpredictable would happen, I will at least be able to take care of my employees for a short period of time".* Case B invests most of the revenues in the company and the employees. *"It is important to invest in the employees and ensure their well-being. However, I do not want to give our customers the impression that we are overcharging them by travelling on expensive trips or buying expensive gifts. We only charge the minimum amount".*

The Chairman controls the customer satisfaction by having a close and personal contact with every customer both during and after the completion of the assigned contract.

Trust

Trust is a central concept in the three siblings' professional relationship. The Chairman has been entrusted with the role of chairman and daily operational manager and the other siblings have full trust in his/her capability of performing a successful job. When the Chairman presents a large investment suggestion the siblings trust that the Chairman has selected the best alternative and performed a proper evaluation of other alternatives.

The Chairman entrusts the construction workers with extensive freedom within the different contracts. Once an employee has been assigned to a specific contract, the employee is in full control of the contract. The Chairman only monitors the progress of the contract through the time card reports, and acts as a mentor should the employees need further guidance or assistance with the job. *"The employees call me if they need any help or advice. Otherwise I do not interfere in their work. I know that the employees value the freedom this gives them and I have complete trust in each and every one of our employees".*

The Economy and Workshop sections are also entrusted with a full level of trust from the Chairman. There have never been any incidents that have affected the level of trust that the Chairman has for the employees: *"Everybody makes mistakes, and who says that I am always right?"*

Advice

The Chairman claims to be open and receptive to new ideas and suggestions from the employees and external advisers. However, the Chairman values the gut feeling over an objectively well-founded solution. *“I often consult external advisers in areas outside of my expertise, but I do not strictly follow their advice. My financial advisor once advised me to lease one of my recent purchases because of the beneficial interest rate but I prefer to pay in cash. That is how I have always preferred to do it”*. The Chairman describes more examples of rejected advices: *“Recently, my financial advisor wanted me to put the company’s money in a trust fund in order to increase the value. I do not trust the development of trust funds and prefer to invest the money in equipment and increase profit through a large-quantity discount”*. The Chairman prefers to let other people test new ideas before discussing and implementing them in the company.

The Chairman has also been advised to invest in an analytical IT-system in order to support the MA process of Case B. *“I am not interested in such IT-systems because they make you lose control”*. The Chairman has never used an analytical IT-system and is certain of the disadvantages in using these systems.

Recruiting

The Chairman is responsible for the recruitment of new employees. The most important factor in a recruitment process is the “gut feeling”. The Chairman does not want to judge candidates by their previous experiences and claims to have never looked at a resume. If the Chairman experiences a good gut feeling towards a candidate, the candidate will be recruited. The Chairman claims to have never made an unsuccessful recruitment using his/her gut feeling.

The Chairman finds it easy to gain support from the employees in his/her decisions.

Future changes

Both the Chairman and several of the employees are aware of and addresses the risks of having the majority of Case B’s most important information confined in the mind and notes of the Chairman. The Economy section believes in the idea of implementing a new IT-system designed to gather the time report cards and the information in the current project summary report in one system. The employees will be able to digitally access the time report cards in their mobile phones and several components of the project summary report, such as pricing, can be done by the Economy section in the new IT-system, without having to go through the Chairman.

The Chairman has been considering implementing a similar IT-system for several years, but the lack of time has prevented him/her from learning the new technology. When the Economy section suggested the new IT-system, the Chairman was convinced about the urgency of the implementation. The IT-system will be implemented in May 2018.

The Chairman has also considered recruiting a new employee to help with the administration. Case B does not presently have the financial capacity for this

recruitment and the Chairman is hesitant to the recruitment, even if a proper candidate was to appear and the financial situation changed. The Chairman values his/her current work situation on a personal level. *“I like to be able to talk to the employees and to be close to the core business. By being close, I can monitor the well-being of each employee and gather information about the well-being of the company itself. A new administrator could result in me being more distant and locked to my desk”*.

4.3 Case C

Case C is the general agent for several international kitchen equipment brands. As a strict business-to-business company, Case C acts as a wholesaler with no direct contact to the end customer. There are 32 individuals employed in the company organized within six departments. Case C originates from a small business in 1963, which developed into a more organized organization in 1997. The current CEO began his/her employment in 2010 and is related to both the original founder from 1963 and the Developer who bought the original company in 1997. The Developer is still active as an owner and as the Chairman of the board of directors. The CEO is also an owner and a member of the board of directors. The family related individuals constitute the majority of the owners and the members of the board of directors. Case C considers the competition from competing companies to be limited and negligible.

Decision-making levels

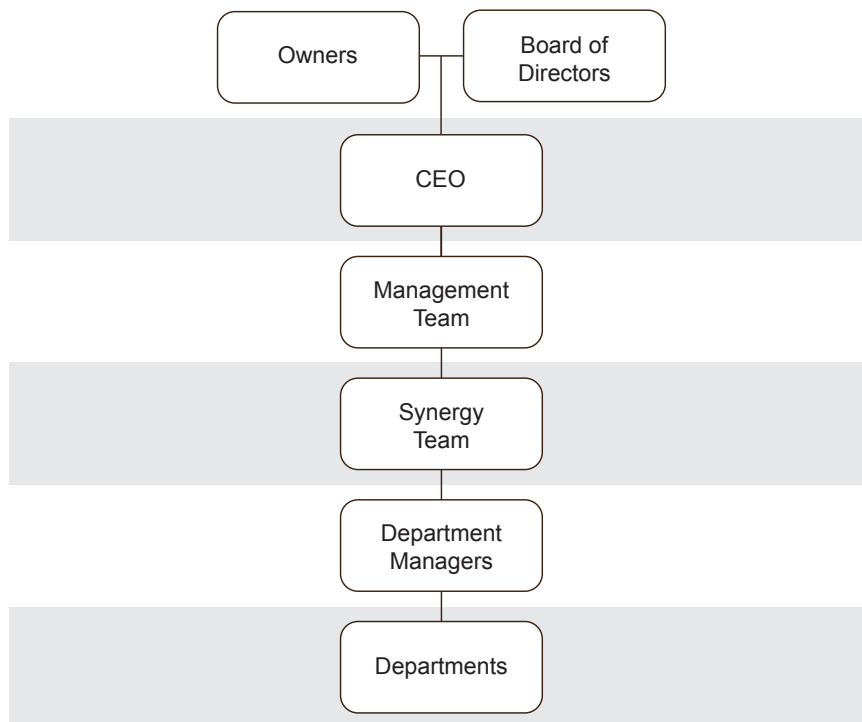


Table 6. Decision-making levels in Case C

Case C could be divided into six levels of decision-making. Because of the similar composition of members in the board of directors and among the owners, the difference between the two groups is strictly formal, making them the top level

of the decision-making hierarchy. The CEO is responsible for the execution of the decisions made by the top decision-making level.

The CEO has formed two different managerial teams in order to simplify the control and monitoring of Case C; the management team and the “synergy” team. The management team serves as the strategic discussion forum in Case C, where long term goals, strategies and personnel are discussed. The synergy team serves as the discussion forum for the operational side of Case C. Some of the questions and propositions that are discussed and agreed upon in the synergy team are later transferred to the management team in order to evaluate the strategic aspects of the proposition.

Case C is divided into six different departments; Human relations, Marketing, Sales, Distribution, Economy and Purchasing. Each department has a manager who is responsible for the progress and performance of his/her department. Decisions beyond the manager’s jurisdiction are transferred to the management team or the synergy team depending of the characteristics of the decision.

The CEO is a member of both the management team and the synergy team and has no direct interaction with employees outside of these groups. The management team includes the CEO and the managers of Human relations, Marketing, Sales, Economy and Purchasing. The synergy team consists of the management team (with the exception of the Human relations manager), the Distribution manager and the Key account managers from the Marketing department.

Previous experience

The CEO started his/her career in Case C at an early age in the Distribution department parallel to studies in elementary school. After graduating the Swedish “gymnasium”, the CEO continued in another company as an IT-consultant. Several years later, the CEO returned to Case C as the manager of Marketing, IT and Distribution before accepting the title of CEO.

The foundation of the current MA processes and routines in Case C originates from the former CEO, the Developer. The current CEO, who has been determined in the digitalisation of Case C, has implemented all the current IT-systems.

The manager of the Economy section has previously been involved in the development and expansion of small companies and has implemented several adjustments to the routines and MA processes of the Economy section. The routines and procedures have been more structured and organized.

Communication and MA processes

The discussions and decision-making in the management team and the synergy team constitute the core of Case C’s MA processes. Each member of the management team or synergy team informs the other members about the progress and situation in their respective area of responsibility. Through these regular meetings, the entire company stays informed and updated on each part of Case C.

The strategic goals and investments are initially discussed in the management team. New brands and products constitute a major part of the discussions. The Purchase department usually presents new products from current brands or potential new brands to expand the collection with. It is important to discuss these matters with all managers in the management team in order to ensure what the customers demand, the current capacity of Case C's departments and to eliminate the chance of cannibalization on other brands in the collection. The Sales department use customer satisfaction as a tool to identify potential new product areas. The employees in the Sales department work closely with the customers by having direct and regular communication with them in order to identify desired changes and improvements. As a result of customer feedback, the collection was recently expanded.

The synergy team focuses on promotion and events regarding the products. They are also evaluating the demand and current stock of each product in order to provide the management team with valuable data.

An annual budget is agreed upon each year and budgets are then allotted to the different departments. The annual budget is based on statistics from previous financial periods. Deviations are discussed in the management team and in the top level of the decision-making hierarchy prior to the final approval of the annual budget. Each department manager is free to structure the work within the department as long as it correlates with the set budget and instructions approved by the CEO. The department managers are prominent in the development and initiatives of each department.

The cash flow management and the margin and cost management are managed by the Economy department and monitored by the CEO. *"I (the CEO) am able to use a digital bank portal to monitor the cash flow but generally I trust my employees and their capabilities. The cost and margins are set accordingly with the annual budget. Our suppliers are involved in our margins and we use our experience to be fair in our pricing – both to the customers, the suppliers and ourselves"*.

All department managers, except the Sales manager, work closely with the employees in their department and are able to monitor the progress of the work and provide instant feedback in the daily operations, with some of the managers being supported by an IT-system. Case C does not have a central IT-system to organize the company and the MA processes. An Enterprise Resource Planning (ERP)-system is used by the Economy department for invoices, transactions etc. and by the Distribution department for product information and other distribution processes. The Sales department uses a sales support IT-system. Each employee within the Sales department uses the sale support system to register orders, clients and personal progress. The department manager and the CEO have access to the sale support system and use it to monitor and guide the Sales department. Case C's two IT-systems provide valuable information in decision-making at all levels of decision-making. The CEO and the Economy

department monitor and organize analytical reports and conclusions in the IT-software Microsoft Excel.

Trust

The CEO accentuates trust as one of the most important factors in Case C. *“We need to trust in every employee’s will and ability to successfully complete their work. Every employee is given a set of work tasks within an area of responsibility and I will give each and every one the trust and freedom to solve the tasks in the best and most suitable way”*. The CEO is also confident in the decisions made by the management team and the synergy team. Even though the CEO is a member of both groups, the CEO is very open to the knowledge and experience of each group member. *“I have participated in the recruitment of almost all members of the management team and the synergy team. They are all very competent and I trust them in their expertise and knowledge. The management team is keeping the machine (the company) running and I hope to work less in the future thanks to their good work”*.

One recent incident resulted in the weakening of the CEO’s general trust for people. *“I learned that some people live in their own reality, making their perception and truth difficult to separate from the objectively true reality. These people do not mean to lie but the mischievous perception of the reality generates false statements”*. The incident revolved around the previous Sales manager. When the CEO started working in Case C in 2010, the management team and the synergy team did not exist. The departments were managed by individual managers, with no organized meetings or MA processes to synchronize them. The CEO recruited a Sales manager with the purpose of connecting the Marketing, Purchasing, Sales and Distribution departments. After several months, the CEO realized that the new Sales manager had misused the trust and freedom, resulting in the dismissal of the Sales manager. The incident led to the instalment of the management team and the synergy team.

Recruiting

The CEO says that much of the success in Case C can be derived from successful recruitments. In several recruitment processes, Case C has found two interesting candidates to fill one position. This has led to reconstructions in the organization in order to make use of both candidates. The manager of Human relations is responsible for recruitments, but the CEO is active in the process. The CEO values candidates who are passionate and committed to their work. It is also important for a new candidate to be compatible with the rest of the employees and the existing company culture. The management team has worked intensively to develop and implement a functional company culture, and with great success. Case C is a united and caring organization with a solid foundation of values.

The CEO often agrees with the decisions presented by the management team and the synergy team. Decisions presented by the CEO are often received with support from the employees.

Future Changes

The management team and the synergy team have provided the expanding Case C with improvement and stability in their MA processes. The overall impression of the routines and MA processes are positive. However, the CEO is interested in replacing the current analytical processes created in Microsoft Excel with a complete BI-system in order to simplify and create valuable information for decision-making in Case C on all decision-making levels. The BI-system has not yet been implemented due to the extensive process of implementing the current ERP-system. *“The implementation of any new IT-system is long and complicated. We still adjust the configurations in the ERP-system and are not ready to start the process of implementing a BI-system. The business simply cannot handle two parallel implementations”.*

4.4 Case D

Case D is a complete marine partner providing both products and services related to boats and other marine activities to end consumers. The company sells new and used boats, spare parts, related equipment and services such as storage and service of boats and engines. Case D was founded in 2005 and there are currently 13 individuals employed in the company. The owners are active in the company and are working in the daily operations. There is no appointed CEO; the three active founders have divided the business into separate areas of responsibility. Case D considers the competition from competing companies to be limited and negligible.

Decision-making levels

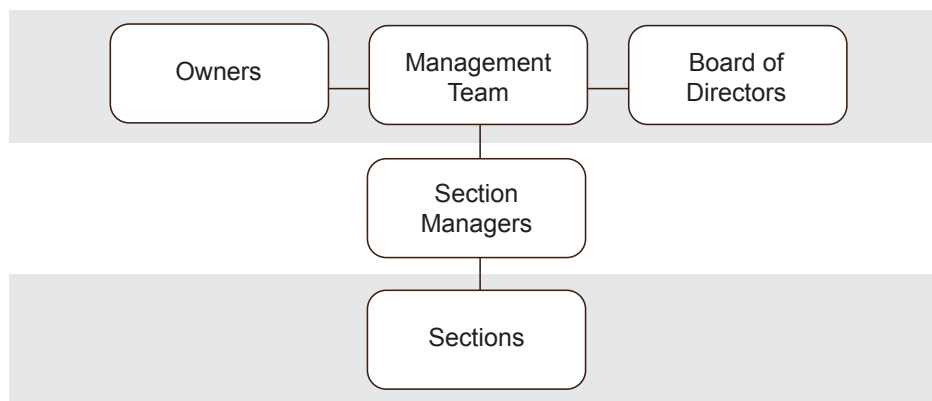


Table 7. Decision-making levels in Case D

Case D could be divided into three levels of decision-making. The owners, the board of directors and the management team are all different names for the same group of individuals, making the difference between the three groups strictly formal. All larger decisions are discussed in the top level of the decision-making hierarchy.

The three owners have all been appointed managers for one section each in Case D and are given complete responsibility for the operation and employees within the section. Case D is divided into six sections; Boats, Docks, Storage, Workshop,

Shop and Economy. The owners have a shared responsibility for the Boats section but have divided the different brands of boats in the collection between them. The Workshop and the Economy sections are the only sections managed by individuals who are not an owner. Neither are members of the management team. The Economy section is responsible for transactions and the balancing of the books and is performed by an external partner visiting Case D one day per week.

Previous experience

The owners share the passion for boats and marine activities. They have no formal education except for a Swedish “gymnasie” diploma. One of the owners, currently titled as the chairman of the board, is the most experienced in MA processes. The Chairman has previously been employed as a department manager in two large international companies. The companies had established specific MA processes and instruments to be used by the Chairman, which made the accounting process both structured and simple. After several years on the international market, the Chairman co-founded an IT and management consultant agency and was given the title as department manager for the management consultants. *“We never implemented a complete accounting software in the new company, so I managed my entire department using Microsoft Excel. Through my own calculations and models, I was able to keep track of the consultants and inform the management team about the progress of my department. The CEO did a poor job in synchronizing the departments and implementing MA processes, but he did not need to. The company was doing great which made the boat float even though it was full of holes. Imagine if the MA processes were working properly”.*

In 2005, the three owners decided to found Case D and the Chairman was the most experienced MA user. His/her previous experience generated a structure and discipline in the new MA processes and routines of Case D. *“It is all about streamlining internal processes. My previous experience has taught me to constantly evaluate the internal processes and to look for bottlenecks in order to improve the company”.* The Chairman was also determined to implement an ERP-system in an early stage. The international companies had introduced the Chairman to the MA model Balanced Scorecard, but the Chairman did not see the benefits from this model in a company with the size of Case D.

Communication and MA processes

The top level in the decision-making hierarchy is the central core for all MA processes in Case D. They focus on strategies, investments and the creation of the annual budget.

The strategies focus on brands and the expanding of the company. *“We follow a general idea of only expanding the existing business. We made a few attempts to expand the business into new areas but realized that we did not want to invest the time necessary for such an investment. We are doing fine today and have no interest in working more than we already do”.* New brands are evaluated and compared with the current collection of brands. *“Choosing brands is the easy part of our strategic job. We want brands that complement each other and do not*

cannibalize. We also evaluate the quality of the boats, the price and the type of motor it can carry. We must be able to satisfy all potential customers”.

The annual budget is based on the projected revenues from selling boats. The owners estimate how many of each boat model Case D will sell during the year based on statistics from previous periods and their personal experience. The number is divided between the people in the Boats department. This means that the management team is using the projected number of sold boats as the main indicator of the progress of the company. If the sales number deviates from the budget for more than three consecutive months, the management team will sit down to re-evaluate the budget and the reasons for deviations. However, Case D has never been forced to make any drastic changes because of insufficient sales.

The cash flow management is managed by the Economy section and monitored by the management team. *“We monitor the cash flow through the bank’s digital portal. We try to always have at least 1.000.000 SEK in our disposable account. It is a nice number and we feel safe knowing that we have a buffer”.*

Case D uses two different IT-systems in their MA processes. The Economy section is using an IT-system to administrate all economic functions including transactions, account payables and salaries. There is also a central ERP-system used to administrate customers, products, purchasing and distribution. This system is used by all sections and provides a useful analysis of the company used by the management team for decision-making.

Case D has a system of regular sales activities with multiple purposes. *“It is important to distinguish the difference between an activity and a goal/purpose. We cannot organize an activity for no reason. We have to ask ourselves: will this activity benefit our goals?”.* The Chairman realized that it was difficult to focus on one internal process at the time without having a designated activity or “theme of the week” focusing on a specific part of the company. *“One week we organized a special “used boats” sales activity. This enabled us to evaluate and streamline the external and the internal process of handling used boats. The next activity focused on another area and that is how we continue to improve our processes”.*

The customer satisfaction is monitored through the reviews of Case D on digital platforms such as Facebook and Google.

Trust

Trust is a central concept in Case D. The section managers have trust in each other’s ability and in the employees of each section. *“We (the section managers) are free to manage our own section as we please. If anyone presents/suggests an investment or change regarding their section everyone assumes that the person has evaluated all alternatives. We trust the suggested investment/change to be the best possible”.*

The Chairman is active in the daily operations but does not correct or question the employees’ decisions or methods. *“I assume that everybody is doing their job. I*

do not look for faults in my colleges' work but sometimes I adjust their priorities. If they are not working on the most urgent task I will suggest a different priority list".

The Chairman once caught an employee stealing money from the checkout. *"It was nothing but a coincident. I was very angry and disappointed at the time but the incident has not changed my trust in my employees. They are all good and capable people".* The person caught stealing chose to leave the company due to the incident.

Advice

Case D has previously received help from an external MA expert partner. *"They advised us to change the start date of our financial period, which made a fantastic difference to us. We do not use their services anymore because they stopped giving us useful advice".*

Recruiting

Each section manager is responsible for the recruitment process in his/her department. However, the section managers have agreed upon a desirable profile when searching for new candidates. Case D is looking for candidates who are passionate, driven and multifaceted. The candidate must be able to work in several of the company's departments and it is meritorious to be a former business owner.

The owners find it easy to gain support from the employees in their decisions.

Future changes

Case D has recently implemented a new ERP-system, which is synchronized with the system of their largest supplier. *"This has made our article system much easier and streamlined the process even more".* Case D does not want to change anything in their current organisation or MA processes.

5. Findings / Analysis

The empirical findings endorse the main concepts of the Social Constructionism theory and identify problem solving, derived from the reality of the individual micro-world, as the main cause of MA development in small companies. MA in SMEs has been considered less complex and less extensive (Armitage et al., 2015; López & Hiebl, 2015; Mitchell & Reid, 2000) compared to MA in larger companies, suggesting that customized MA solutions for SMEs to gain unrealized benefits and improvements are needed (López & Hiebl, 2015). However, our findings suggest that the developed and implemented MA in the four cases is perceived to be as rational as the suggested approach towards the more complex MA inspired by larger companies.

5.1 Problem solving in the micro-world

As described by the Social Constructionism theory (Perren & Grant, 2000), each manager/owner of the four cases is a central part of the company and the creator of the reality in the individual micro-world. The long-term and deep involvement of the executive manager in the daily operations, especially noticeable in Case A, B and D, has facilitated and enabled the creation, monitoring and instant adjustments to all parts of the reality within the micro-world. The managers/owners maintain control of the micro-world through several approaches. Every active manager/owner in the case companies is in full control of the recruitment process, which gives him/her control of new people entering the domains of "his/her" micro-world. Each case company presents a distinct set of criteria, which the potential candidate needs to fulfil to be accepted into the micro-world and to minimize the risk of contradictory values, beliefs and ideas between the candidate and the micro-world. The active managers/owners of the case companies also control the general direction and construction of the entire business, which in combination with a deep daily operational involvement constitutes an immense impact on the culture, ideas and processes of the individual micro-world.

The main cause of MA development in small companies is the company's determination to solve and tackle perceived problems. The company identifies an issue or problem in the business and develops solutions in the shape of MA processes and techniques as an instinctive reaction. The solutions are perceived as rational to the individual case company as they derive from the reality of the micro-world, which constitutes the company.

After completing the two-year business course, the CEO of Case A experiences the previous process of organizing and gathering the information that is to be presented to the board of directors as both problematic and difficult. The solution to this perceived problem is to implement the suggested BI-system, which will simplify the process and improve the content of the final report. Case A also develops MA by adjusting strategic goals related to the investments and design of the facility. Previous designs and structures are perceived to be problematic and insufficient in relation to the needs of the customers leading to the development of new strategic goals and discussions.

Case B identified the problem of having vital information and processes essential to the overall operation of the company stored solely in the mind and memory of the Chairman. The solution is to implement a new IT-system, which will make the information and processes accessible to the entire company.

Case C is experiencing problems with the lack of synergy and communication between the different departments. As a response to these problems, the Sales manager is recruited to monitor and synchronize the operations of the departments. The organizational structure is further developed as the concept of the synergy team and management team proves to be a more sufficient solution to the problems.

Case D perceived the traditional organizational structure with a CEO responsible for the overall operation of the different departments to be problematic and inefficient. The situation led to a divided responsibility for the different departments which granted each department manager full control of the daily operations, recruitments and other processes. Only the most important strategic decisions were to be discussed in the management team.

The empirical data supports the ideas of the Social Constructionism theory describing fear and previous experience as variables affecting the manager/owner (Perren & Grant, 2000), i.e. the micro-world and the perception of an existing problem. Case D, with an executive that is experienced in ERP-systems, perceives the lack of an ERP-system to be a problem. As a response to the problem, Case D early decides to invest in an ERP-system, contrary to Case B which does not perceive the lack of an ERP-system to be a problem. The reasons for not perceiving e.g. the lack of an ERP-system to be a problem may not be connected to the employees' previous experience, although the said example indicates that the variable can affect the individual micro-world. The empirical evidence also supports fear as a variable capable of affecting the perception of an existing problem. The CEO of Case A fears recurring future incidences connected to the behaviour and decisions made by the FM. Hence, the CEO perceives a problem related to the FM's capability, resulting in the alteration of the MA processes and a decreased level of trust in the FM.

5.2 Contingency based problems

The company's perception of a problem, which causes development of MA through problem solving, can be explained through the Social Constructionism theory. Different micro-worlds generate different perceptions of what is a problem. However, the empirical findings suggest that the perceived problems can be linked to the main contingencies related to the use of MA in SMEs. The perceived problems in the case companies, causing development in the MA, has repeatedly been proven to be based on underlying contingencies. Once a company experiences a change in one of the contingencies, the company handles this by establishing a formal structure.

Case A implements a BI-system in response to the previous problematic and complicated process of analysing and debriefing progress to the board of

directors. Thus, when comparing the previous process with the new BI-system, Case A identifies a possibility to reduce the time consumption in the process of analysing and debriefing progress. The amount of available resources is described as one of the main contingency factors affecting the use of MA in SMEs (Fisher, 1998; Otley, 2016). A low amount of available resources indicates a low use of MA (Brierley 2011; Chand & Dahiya 2010; Howorth & Westhead 2003; Laitinen 2011; Marriott & Marriott 2000). By reducing the time consumption of the task, the amount of available time in Case A is increased, generating a more complex MA process. Hence, the change and development of the MA in Case A could be associated to the amount of available resources.

The development of the strategic goals related to the investments and design of the facility in Case A could also be linked to one of the main contingency factors related to MA use in SMEs - strong business competition. The needs of the customers are closely related to Case A's highly competitive business environment. The structure, design and offer of the competitors' facility will affect the needs of Case A's customers, which will force Case A to adapt to remain competitive. Case A experiences a stronger business competition resulting in the establishing of a developed formal structure.

Case B identifies the problem of having vital information and processes stored solely in the mind and memory of the Chairman as a result of an increasing complexity of the organization. One of the main contingency factors related to the use of MA in SMEs is the complexity of the organizational structure (López & Hiebl, 2015). The number of employees and growing impact of the Economy section lead to a previously unexperienced level of organizational complexity in Case B. The company cannot use the previous MA process in the new organizational environment, resulting in the development of MA through the implementation of a BI-system. Case B experiences the contingency factor of complexity to grow stronger, resulting in the establishment of a developed formal structure.

Case C's decision to solve the problem of inadequate synergy and communication between the different departments can be linked to two of the main contingency factors; the complexity of the organizational structure and firm size. The size of the company highly impacts the use and complexity of the MA in SMEs (El-Ebaishi et al. 2003; Elhamma 2012; Neubauer et al. 2012; Odar et al. 2012). As the company grows and the complexity of the organizational structure increases, the problem becomes more obvious. In response to the shifted environment, Case C establishes a new formal structure.

The owners of Case D value a healthy balance between work and leisure. The development of the organizational structure in response to the problematic and inefficient alternative of having a CEO in charge, is driven by the experience of decreasing time resources. By reducing the number of formal meetings and reports, which would be necessary in a company with a CEO, Case D is able to increase the amount of available resources. Case D experiences a decreasing amount of available resources resulting in the establishing of a developed formal structure.

5.3 Different research perspectives

The empirical findings suggest that studies based on the Contingency theory and studies based on the Social Constructionism theory interpret MA development in SMEs differently because of their different research perspectives. Perceived problems solved by MA solutions are considered by both theories to be the main cause of MA development although the different research perspectives provide different analyses of the empirical findings.

The Social Constructionism theory examines the MA development on a detailed micro level capable of identifying individual problems. A company perceives a specific problem and develops a specific MA solution in response to the problem. This detailed research perspective rationalizes the problem solving of the individual problem.

The Contingency theory examines the MA development on a macro level focusing on contingencies affecting the MA in SMEs. A company experiences a contingency factor to grow stronger, resulting in the establishment of a developed formal structure. The Contingency theory does not identify a specific MA solution to an individual problem but advocates a certain development of MCS in response to a certain contingency.

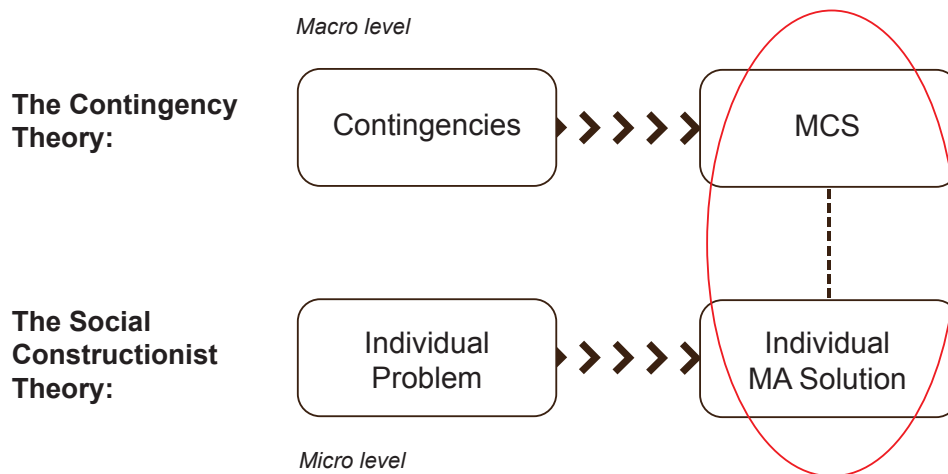


Table 8. Different perspectives of MA development in SMEs

The two theories describe a similar process of MA development in SMEs from different perspectives. The connecting element between the different perspectives is the MCS and the individual MA solution. These can be considered to represent the same element since the individual MA solution in a company is part of the overall MCS in the same company. This means that the perceived individual problem identified by the Social Constructionism theory results in a specific MA solution, which could still be in line with the Contingency theory's advocated MCS development. Hence, the Social Constructionism theory is central when understanding what is being handled and the Contingency theory is central when understanding how it is being handled.

Previous research states that MA processes and techniques are present in SMEs but not to the same extent as that of larger companies. SMEs are in some studies described as companies with low and inadequate MA processes in need of improvements (Da Silva Laureano et al. 2016; Ylä-Kujala et al., 2016). The study conducted by Da Silva Laureano et al. (2016) used Kaplan's Four Stage Model to classify the level of maturity of MA in SMEs. The quantitative study focused on the occurrence of specific MA instruments and methods neglecting individual MA solutions on a detailed micro level. Ahmad's quantitative study (2014) was also investigating the occurrence of specific MA techniques in SMEs in order to determine the level of adaptation of MA practices. Armitage et al. (2015) collected data from the leading MA textbooks used by Canadian universities and colleges when designing the interview guide in their quantitative study in order to identify the most prominent MA techniques.

The three examples of recent studies concluding a less complex MA in SMEs, investigated the occurrence of specific MA techniques such as ABC and BSC. The assumption that MA processes in SMEs are inadequate and simple could be explained by larger studies based on the Contingency theory's inability to examine the detailed micro level of MA development. The Contingency theory would have to be applied on a much lower level in order to identify individual MA solutions and informal structures. Previous research has identified certain contingencies affecting MA in SMEs and advocate a certain development of MCS, but the individual MA solutions in line with the advocated MCS development have not been visible to the macro-oriented Contingency theory.

6. Conclusion

The purpose of this study has been to understand what drives MA in small companies to develop and emerge. Despite SMEs' influence on economies worldwide, research regarding MA in SMEs has only recently gained a growing interest. This case study has examined four small Swedish companies within the segment of 10-49 employees. Two theories were applied for this study, the first being the Contingency theory, which describes how well the match is between an MA instrument and the situation in which it is implemented. The other theory used is the Social Constructionism theory, which recognises SMEs as "micro-worlds" with their own realities created by the owner/manager. The research strategy used was built on that of Granlund and Lukka (2017), who advocated a combination of emic and etic perspectives.

The empirical findings support the main concepts of the Social Constructionism theory and identify problem solving in response to perceived problems, derived from the reality of the individual micro-world, as the main cause of MA development in small companies. The owner/manager of a company acts as a filter between the external world and the micro-world, i.e. the company. She/he has control of the micro-world and acts rationally in accordance with the established values and beliefs of the individual micro-world.

The perceived problems illustrated by the Social Constructionism theory can be linked to contingencies in the Contingency theory related to the use of MA in SMEs. When a company experiences a change in a certain contingency, the company establishes a formal structure in order to handle it. The two theories describe a similar process of MA development in SMEs from different perspectives. As the Social Constructionism theory identifies a specific MA solution to an individual problem, the Contingency theory advocates a certain development of MCS in response to a certain contingency. The connecting element between the different perspectives is the MCS and the individual MA solution. These can be considered to represent the same element since the individual MA solution in a company is part of the overall MCS in the same company.

7. Further research

There are opportunities to continue this research in various directions, some examples include;

- Continued research on small businesses can lead to a better understanding of the dynamics related to them. More research on small businesses and the MA development in small businesses can widen and improve knowledge about small companies, potentially leading to the ability to generalise findings.
- Comparing newer and mature small businesses may provide interesting insights of differences and/or similarities between these in the process of problem solving and MA development.
- Researching MA development in small businesses in other geographical areas can help to provide an understanding whether there are similarities or differences based on location. This will also contribute to providing a more holistic view of MA in small businesses.
- An additional interesting topic would be to investigate the various aspects of the problem-solving process in small companies. This would aid in gaining an augmented understanding as not much is known about MA development and implementation, specifically in the details of problem solving in small companies.

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