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**The Initial Stage of Beyond Budgeting Implementation:  
A Case Study of an Automotive Company**

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## **Abstract**

This case study aims to understand the initial stage of a new Performance Steering Initiative (PSI) which replace the traditional budget in a Business Unit (BU) of a Company from the Automotive Industry. It focuses on advancing forces and barriers of change at the initial phase of Beyond Budgeting implementation. Further, it analyses what are the roles of culture and leaders in this change. The research primary source of data are interviews with the leaders from different areas and levels of the BU. The data collected were examined with the use of Kasurinen Management Accounting Change (MAC) model. The emphasis is given on the key role of culture and leaders factor during MAC. The empirical results showed that in case the implemented changes are in alliance with the company's culture, the leaders can act as advancing force for the BU to adapt new Management Accounting (MA) practices. Based on these findings, the study proposes a new revised MAC model. In the revised model, the culture is shown as the base of MAC which influences other factors in the model. Leaders work as an advancing or hindering factor of change.

***Keywords:*** *MAC, Beyond Budgeting, Performance Steering, Culture, Leaders, Factors, Barriers, Challenges, Implementation process*

# 1. Introduction

## 1.1 Motivation

The Automotive Industry is currently influenced by several important trends, which can radically change this industry as we know it today. These trends are known as EASCY (Kuhnert et al., 2017). EASCY consists of Electrical, Autonomous, Shared, Connected and Yearly updated cars. These innovations are driven by the interest of the society in sustainability issues, the improvement of the users' safety, the decrease of the investments required for using a car, the potential impact of digitalization and the accelerated innovation needed for competing in the industry. Consequently, the companies in the Automotive Industry need to adopt to these new market conditions and the emerging trends. They are required to react faster because of the increased uncertainty and unpredictability that surrounds them. Therefore, the innovation on products, services, processes or business models have become a key to survive and succeed (Goffin & Mitchell, 2017).

In order to respond quicker to the emerging challenges, some Management Accounting (MA) practices need to be redesigned. These could be the way of tracking and measuring an organization's performance and distributing the investments in the organization. Hence, it is also important to develop a better budgeting system (Kuhnert et al., 2017). Budgets are an essential tool to control and plan the performance of a company and they are used by most of the organizations (Libby & Lindsay, 2010). However, budgets in their traditional form have been widely criticized for demanding a great amount of resources, for being an administrative burden and for not being flexible enough (ibid). For these reasons, some companies have been experimenting with the budget abandonment. Based on these efforts, Hope and Fraser (2003) developed the concept of Beyond Budgeting, which explains how companies can work without a budget. Nevertheless, the idea of working without a budget is still revolutionary.

The study of budgets is an important part of MA. Therefore, a change in the budgeting system contributes to the research in Management Accounting Change (MAC). MAC theory lacks qualitative studies that not only contribute to the theoretical research, but also provide relevant and useful information for practitioners (Scapens, 2006). Organizational changes are a complex and complicated process, which can be influenced by many organizational and contextual factors. Therefore, MAC is unpredictable and has various ways of how it can be enacted based on complex interconnected conditions (Burns & Scapens, 2000). The factors can influence

each other, but also create a friction in the organization. Kasurinen (2002) studied these frictions by evaluating the types of barriers that can conflict MAC. In his case study, he classified the culture as an important barrier that can frustrate the process of change. However, for the future research he suggested that his model should be tested in different circumstances and possibly further developed. Consequently, the model was used by Lämsiluoto and Järvenpää (2010) and Yazdifar, et al., (2008), who found that culture is an important factor that can help to smooth MAC implementation in an organization. The importance of culture was also recognized by Becker (2015), who says that in the context of Beyond Budgeting, cultural controls act as a substitute for the organizational controls and are necessary for successful implementation of Beyond Budgeting. He has found evidence that Beyond Budgeting implementation failed, because of gaming mentality in the organization. Based on his findings he calls for more analysis of which culture is needed to prevent gaming in Beyond Budgeting.

Further, Becker (2015) emphasized that engagement of employees was crucial for Beyond Budgeting to be successful. If the employees agree with the change, then the implementation and use of Beyond Budgeting has more probabilities to succeed. However, if the employees' mindset conflicts with Beyond Budgeting, they can influence the company and go back to the traditional budget (Becker, 2015). Among the employees, the leaders have a specific role in the context of MAC. A leader is known as the person who leads, control and inspire a group of people in an organization (Cambridge Dictionary, 2019). The leader encompasses different positions in an organization. They include managers which are responsible of controlling and managing an area or an organization and other leading positions, as team leaders (ibid). The leadership power of individuals is essential in creating the movement in MAC, helping to advance the change (Cobb et al., 1995). In the context of Beyond Budgeting, leaders are an important factor, which can influence this transition (Hope and Fraser, 2003; Cäker & Siverbo, 2014; O'Grady, & Akroyd, 2016). In this research, we are interested in studying a division of an Automotive Company at the point of eliminating the budget, with the focus on what role does culture and leaders play in this transition.

## **1.2 Purpose**

The overall purpose of this study is to investigate the initial stage of the implementation of a new Performance Steering Initiative (PSI), which will replace the traditional budget within an organization. Specifically, the study answers the following two research questions: *What are the advancing forces and barriers of change in the studied Business Unit (BU) at the initial*

*phase of Beyond Budgeting implementation?* For developing the main question, this research studies further: *What is the role of culture and leaders in the process of implementing Beyond Budgeting?*

This study intends to fulfil the above described gaps in the following way. It contributes to Kasurinen MAC model by using it on another change project than Balanced Scorecard (BSC), which helps to test this model in a different setting of MAC. It also develops the model by analysing the role of leaders, their expectations and challenges in the context of MAC initial phase. Further, it reacts to the suggestion of Lämsiluoto and Järvenpää (2010) to examine the interplay between culture and MA, and to strengthen the aspect of culture in the change model. Additionally, it responds to the recommendation of Becker (2015), since it provides knowledge about the culture needed to prevent gaming within Beyond Budgeting.

Moreover, Scapens (2006) proposed that MAC research should provide relevant insights for practitioners. This is especially needed in the context of Beyond Budgeting. As Rickards (2006) claims, there is insufficient empirical evidence about how Beyond Budgeting works in practice. Consequently, the findings of this study can be helpful for organizations to evaluate whether Beyond Budgeting might be beneficial for them and what problems they might face during the implementation phase.

## **2. Theoretical Background**

This case study tries to understand the first step of the implementation of a new Performance Steering Initiative (PSI) and the role played by the leaders and the culture. Therefore, the first part outlines MAC approach, followed by its relation to culture. In addition, the main objective of this change is the implementation of new MA practices, which some theoretical literature refers to as Beyond Budgeting. Thus, the next part depicts the characteristics of Beyond Budgeting and its findings within MAC. Finally, the role of the leaders and culture during the implementation of Beyond Budgeting will be discussed.

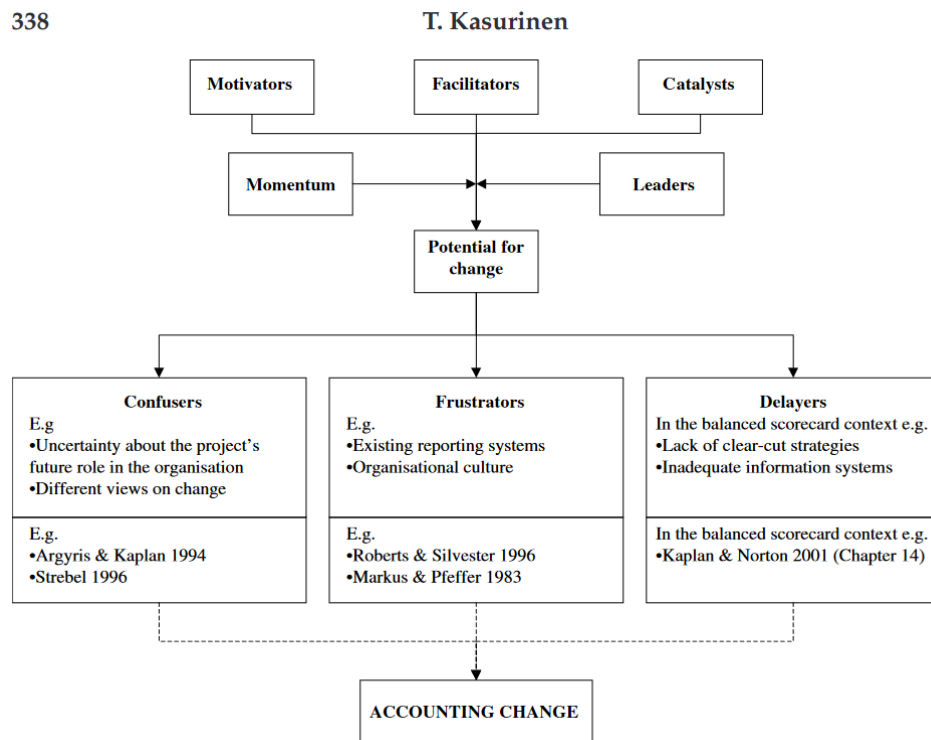
### **2.1 Management Accounting Change**

MA has been identified as an important area of research since it can provide a competitive advantage for the organizations. That will help them to survive in a changing environment (Cullen & Wanderley, 2013). MA is defined as “the techniques used to collect, process, and present financial and quantitative data within an organization to help effective performance

measurement, cost control, planning, pricing, and decision making to take place.” (Law, 2016). MA has the function to provide information for management planning and control, which means that it has a support role for management of the organization (Burns & Scapens, 2000). However, Burns and Scapens (2000) explained that MA should be understood as stable rules and routines. Its change is viewed not as a stable outcome, but rather as a continuous process (ibid). Change in MA is studied by MAC theories. MAC tries to explain and understand why MA has changed or why it has remained stable.

One of the main flows within the MAC approach are factor studies (Modell, 2007). Factor studies focus on what are the drivers and obstructions of MAC, which influence the direction and result of the process of change. According to Cullen and Wanderley (2013), the most important researchers in factor studies are Innes and Mitchell (1990), Cobb et al. (1995) and Kasurinen (2002). The findings of Innes and Mitchell (1990) was first developed by Cobb et al. (1995) and reworked by Kasurinen (2002). Kasurinen (2002) MAC model can be seen in Figure 1 and will be further explained.

**Figure 1. Kasurinen (2002) MAC model.**



Source: Kasurinen, T. (2002). Exploring management accounting change: the case of balanced scorecard implementation. *Management Accounting Research*, 13 (3), pp. 323-343.



This framework focuses in two main aspects at the moment of having a change. The first phase consists of *motivators, facilitators, catalysts, leaders* and *momentum*. These are understood as advancing forces of change, which create the potential for change. The second phase is divided in *confusers, frustrators* and *delayers*. These are considered to be potential barriers to the change. Understanding the different types of forces that affect the early stage of MAC helps to analyse which factors advance or hinder the change. (Kasurinen, 2002)

*Motivators, facilitators and catalysts* are defined as the drivers of change in MA (Innes and Mitchell, 1990). The *Motivators* are the underlying circumstances that influence the change. Among these can be found competitiveness in the market, organizational structure, production technology, product cost or life cycle, etc. The *Catalysts* are the events that are directly associated with the change. This means, that their appearance is closely connected to the timing of change. Examples can be deterioration in profitability, loss of market share, launch of competing product and arrival of the new accountant. The *Facilitators* are the factors that are necessary in order to have the change, but are not sufficient, per se. They can consist of knowledgeable accounting staff, technological resources, authority attributed to the accounting function in the organization or degree of autonomy from parent company (ibid).

Further, Cobb et al. (1995) has added *leaders* and *momentum* as the drivers of change. Even though leaders play different roles in the model, the factor *leaders* itself represents the active leadership power the leaders have during the change. They explained that without the leadership role, MAC could falter in the face of barriers. Leaders can be a crucial force creating movement towards change. This distinguishes it from other leaders' roles found in other factors. Second, the study described that in every change there is an expectation of continuing change, which was referred as *momentum*. *Momentum* is the force that helps to maintain the pace of change.

Cobb et al. (1995) emphasized the importance of studying the barriers since they can influence the change by hindering, delaying or preventing it. In the second part of the framework, Kasurinen (2002) organized these barriers into *confusers, frustrators* and *delayers*. This divisions can help an organization to improve their awareness of the barriers and to clarify the explanation of the change. The *confusers* are the barriers that create uncertainty about the form or direction of the change. For instance, a *confuser* can be found when leaders don't share the same understanding and expectations of the new processes, so they are not synchronised in their work. This may lead to the disruption of the process. The *frustrators* are those barriers

that generate frustration during the change, which may lead to suppression of the change. An example can be an implementation of the new accounting software. In case it is difficult for employees to work with this system and it frustrates them, they can continue working with the old system, suppressing the change. Finally, the *delayers* can cause the change to take longer than expected. The *Delayers* are often caused by the technical difficulties and they tend to be temporary.

In his research, Kasurinen identified culture as a frustrator of MAC. However, the research from Länsiluoto and Järvenpää (2010) indicates that culture might have a stronger role. They found that initially the culture also served as a frustrator of change, but later the culture changed and started to act as an advancing force instead. Therefore, the authors stated that culture and management system interact and influence each other. Further, they conclude that cultural context might have an essential role on the implementation process. This points out that the interplay between culture and management systems can have a vital role within MAC.

The MAC model of Kasurinen (2002) was used in the study, because it allows for studying MAC at the beginning of MA implementation. It is especially beneficial for analysing the advancing and hindering forces of change, its momentum and the leaders' role in the change (Länsiluoto & Järvenpää, 2010). This helps to understand the factors that influence the change in the company at the initial phase of implementation. However, as was pointed out by the above-mentioned research, the role of culture needs to be further investigated in research. Therefore, in the analysis part we put emphasis on the role of culture within MAC.

## **2.2 Culture and MAC**

The culture in an organization represents the systems of knowledge, beliefs and values which are produced and reproduced through action and interaction (Dent, 1991). It can consist of symbols, beliefs, behaviour, knowledge, norms and values that are embedded in an organization.

Accounting practices are part of the organizational culture connected to planning and budgeting activities, control, evaluation and hierarchical accountability (ibid). Therefore, accounting practice is involved in creation, diffusion, maintenance and change of organizational culture (Busco & Scapens, 2011). Previous researches suggested that the successful implementation of a new accounting practice depends on the support and compatibility of the values of the organization and the new system (Bhimani, 2003).

In case the new MA practices are not in alliance with the culture, the culture may serve as a barrier for change. Kasurinen (2002) has described that a culture can act as a frustrator within MAC, resulting in unsuccessful or just partly implementation of the new systems. Tsamenyi et al. (2006) have also found that culture served as a strong barrier. However, the unsatisfied employees could not mobilize enough power to reverse the change.

Other studies have found that culture can also act as an advancing force. Länsiluoto and Järvenpää (2010) observed that culture can be classified as a motivator. In their case study the culture of the organization was in alliance with the objective behind the implementation of BSC, which helped to implement the change.

As it was previously studied by Hatch (1993), the cultural context affects the implementation of management system and vice versa. This was also emphasized by Länsiluoto and Järvenpää (2010) in their study, concluding that the interplay between culture and management systems should be much more focused on. Therefore, they suggest that in order to avoid difficulties in the process, firms should consider culture of a company before the implementation process. In other cases, culture was strengthened by explaining and justifying the plans and its benefits to the employees before the implementation (Yazdifar, et al. 2008). This helped to create a greater alliance of the culture and the change, which increase the probabilities of success.

Implementation of Beyond Budgeting is an example of MAC, where culture plays an important role (Hope & Fraser, 2003). Therefore, Beyond Budgeting and its connection to culture will be further described.

## **2.3 Beyond Budgeting**

An important part of MA are budgets, which consider vital rules and routines of an organization (Burns & Scapens, 2000). Hope and Fraser (2003) identified limitations in the use of traditional budget, which can in some cases lead to Beyond Budgeting. This change in budgeting is essential in the context of overall MA rules and routines.

Budgets are considered to be a plan, they have many other important functions in an organization. The main ones are identifying deviation between actual and budget figures, coordinating the company towards a common corporate goal, tracking the performance of the organization, motivating the employees, and delegating responsibilities (Lane, 2015).

Hope and Fraser (2003) criticize traditional budgeting in following way. They say that it demands too much resources, because it can take months to create one, and demands a lot of work and negotiations from managers and finance team. In addition, they point out that traditional budgets are cumbersome. There is the need for an expensive budgeting bureaucracy, which cannot cope effectively with changing competitive environment. Another emerged alternative was not to improve traditional budgeting, but abandon it whatsoever, which gave rise to Beyond Budgeting.

In this case study, the BU have decided to implement the new PSI, which incorporates Beyond Budgeting method and some of its characteristics. Beyond Budgeting “proposes that a range of techniques, such as rolling forecasts and market-related targets, can take the place of traditional budgeting.” (CGMA, 2019) Beyond Budgeting offers the following opportunities. The company can set more effective goals to maximise performance potential, because these goals should be better reflecting the current situation of the company. It can save costs by eliminating long and expensive process of budgeting and by developing more effective rewards, which deter gaming. Company might also improve its strategic alignment, get greater value from finance department, be more adaptable and have faster responses (Player, 2003).

### **2.3.1 Principles of Beyond Budgeting**

Hope and Fraser (2003), conceptualized twelve Beyond Budgeting principles. The first six describe adaptive management processes used to replace the budgeting and planning. The most important concepts behind these principles are the following. The targets on which managers are evaluated are not fixed. Instead, they are always relative, so the managers are motivated to achieve constant improvements. Outcomes are compared to external benchmarks (industry, direct competitors), previous years or internal peers’ results. A set of weighted KPIs can be used to relate the results. The company is doing continuous planning, which is informal and constant. Teams should be prepared to react fast to signals as major investments proposals or threats in the market. Process of planning should include all people, which can add value to it. Managers should have quick access to resources, which can be committed based on KPIs. There might be fast-track approvals to ensure that major decisions are taken at the right time, when it is the most beneficial. It is useful to switch from central control to multilevel controls. This system not only informs top management and provides guidance from it, but also supports local decision making. Information about controls is shared at the same time and in the same form throughout the organization. Financial results are shown as trends and moving averages to be

compared with previous periods. Rolling forecasts, which are forecasts adapted continuously to new information, can be used.

The other six principles from Hope and Fraser (2003) focus in radically decentralized organization. These six principles are essential for Beyond Budgeting, because they are connected with organizational structure. Therefore, Beyond Budgeting works best when company is decentralized. It empowers leaders to respond faster to new opportunities in the market and to react quicker to problems or risks (O'Grady & Akroyd, 2016). This new way of working helps to avoid dealing with financial or bureaucratic barriers that slow the decision-making process (Ezzamel, et al., 1997). Hope and Fraser (2003) principles suggested that leadership should provide a *strong governance framework* based on clear values and boundaries. Also, the *climate in the organization* should be concentrated on high-performance, which is supported by relative evaluation. In addition, the employees should have enough *freedom to act*. They should have the *responsibility* for value creating decisions, together with *accountability* of the customers outcomes. Lastly, the *information should be transparent* and disclosed throughout the organization. The transparency can be achieved by technological improvements, which can allow everyone to see the company's results, resulting in multilever control. This can also help the leaders to make more informed decisions.

### **2.3.2 Leaders and Beyond Budgeting**

Empowerment of the leaders can help the company to react faster in a competitive environment. At the same time, this practice encourages the leaders to develop their competences in order to reach the company's goal (Taborda, 2000). This was illustrated by Bourmistrov and Kaarbøe (2013), who studied how Beyond Budgeting caused the leaders to move from a conform and secure environment to an unpredictable environment. The uncertainty that surrounds this new way of working can be challenging for the leaders, because it requires them to use more of their potential. Leaders are expected to be more responsible, proactive and strategic. The authors found that in the studied companies, the implementation of Beyond Budgeting changed the information supply channel. This inspired leaders to experiment, explore and to use the information in different ways and contexts.

Beyond Budgeting also requires a new leadership style that is based in trust (Bogsnes, 2009). Heupel and Schmitz (2015) explained that trust provides an environment of justice and fairness which encourage people to work well even if the outcomes of some decisions are not in their

favor. Trust can be achieved by increasing the internal communication between all areas and levels in the organization (Cäker & Siverbo, 2014). It can also improve if the company make more transparent internal processes so everybody understands why and how the decisions were taken (Bogsnes, 2009; Bourmistrov and Kaarbøe, 2013). In addition, employees' satisfaction can also increase if they perceive that their point of view is important for the organization. Thus, companies who want to work with Beyond Budgeting need to involve their employees in the decision-making process by allowing them to participate and express their opinions (Heupel & Schmitz, 2015).

### **2.3.3 Difficulties with Beyond Budgeting**

There are certain problems that firms can face when they work with Beyond Budgeting. One of the reasons is that the principles of Beyond Budgeting are too generally formulated (Rickards, 2006). There is no simple or universal recipe of how to work without budgets. Therefore, it is necessary to tailor Beyond Budgeting specifically to an organization and its needs (ibid). However, adjustments of Beyond Budgeting may be problematic, because research still lack enough empirical studies about Beyond Budgeting and cannot provide enough guidance (Nguyen et al., 2018). As an example, there is not enough information about what kind of challenges might appear in a long-term usage of Beyond Budgeting, or what challenges faced companies who tried to implement it but failed (ibid). However, this information is essential for companies in deciding on whether and how to implement Beyond Budgeting. Additionally, the need to tailor the method for an organization also results in high costs, which might be discouraging. It is because the organization may need to change a great amount of its procedures, to implement new tools or to train their employees (Rickards, 2006). Even if the companies abandon budgets fully, other MA tools can again overtake the functions of traditional budgeting (Henttu-aho and Järvinen, 2013).

### **2.3.4 Beyond Budgeting and MAC**

There are certain circumstances, which influence change of MA towards Beyond Budgeting. One of them is the competitive and uncertain business environment. Henttu-Aho and Järvinen (2013) have documented this on five companies from paper and steel production industry, which during and after the crisis experienced drops of demand, intensified global competition and difficulties in long-term forecasting. These market conditions have motivated the companies to attempt to abandon the budget, so they can be more flexible and through timely

action gain a competitive advantage. A similar situation was described by Heinzlmann (2015) in the oil and gas sector. This sector was influenced by volatile short-term conditions as the oil price, however, investments are often made for long term period and in substantial amounts. Beyond Budgeting was seen as a MA practice suitable for fast-changing and complex environments. Further, Sandalgaard and Bukh (2014) documented the case of agricultural food company, which was also motivated to use Beyond Budgeting due to the growing uncertainty. This was caused mainly due to the volatility of the environment, which affected farmers providing the supplies.

Another important force in the context of Beyond Budgeting is technology. Sometimes it can be difficult to balance existing systems with the changes in MA. Heinzlmann (2015) studied how Enterprise Resource Planning (ERP) implemented in a company influenced Beyond Budgeting adoption. The author claimed that even though ERP supports some Beyond Budgeting principles, the systems have different underlying logics towards control. Since ERP system supports centralization, it can act as a barrier in full usage of Beyond Budgeting focused in decentralized and team-based decision making.

In the case studied by Sandalgaard and Bukh (2014), conflict of interest served as an important complication, which hindered Beyond Budgeting implementation. The company's shareholders were suppliers, whose main source of income was payout from the company. They felt that annual target setting and budgeting were important to ensure expected payback. Another obstacle analyzed by Henntu-Aho and Järvinen (2013) occurred when the budgets were deeply rooted in the MA practices. Their studied company had a strong tradition of traditional budgeting.

Revolutionary leaders might act as initiators of change. In the case of the bank Svenska Handelsbanken, Lindsay and Libby (2007) had documented, how the appointment of the director Wallaner resulted in essential changes in the company. The newly appointed director initiated the process of radical decentralization and Beyond Budgeting implementation. Today, Handelsbanken is considered to be an exemplar case of a successful company using Beyond Budgeting.

However, not only revolutionary leaders are important in the context of change. The change is affected by the leaders at all levels in the organization. Burns and Scapens (2000) emphasized this by saying that leaders understanding and acceptance of the new systems is essential for its

successful implementation. In case the company does not gain the support from the leaders, it might fail to implement the new practices as Beyond Budgeting (Becker, 2015).

Burns and Scapens (2000) stated that if new rules and routines are contradicting the previous ones, leaders might become resistant to the changes. The leaders might prefer to retain the previous system, which serves their interests and convictions (ibid). In the case of Beyond Budgeting, superiors might not be willing to delegate the accountability, because they want to keep their power. The other side of the problem is that inferiors might not be willing to have more responsibilities (Rickards, 2006). Some empirical studies illustrated that if the new challenges or the amount of freedom and responsibility scared the employees, then people will prefer to resign (Bourmistrov & Kaarbøe, 2013; Becker, 2015). This can lead to “loss off local knowledge and expertise” (Cobb et al., 1995). Consequently, it is vital for the company to find the optimal performance zone in order for leaders to remain accountable while keeping strategic boundaries in the firm. (Bourmistrov & Kaarbøe, 2013)

Resistance can also stem from lack of knowledge or expertise (Burns and Scapens, 2000). Feelings of inadequacy may create the fear of change, causing the leaders to be resistant to it (Rickards, 2006). Furthermore, resistance might arise from having a mental allegiance to established way of thinking and doing. Even though the new practices might not contradict the previous ones, the leaders might choose to stay with previous systems just because it is embedded in their everyday routines (Burns and Scapens, 2000). Feeling of resistance creates difficulties in the organization, which can complicate the transition to Beyond Budgeting.

### **3. Method**

Management practices are affected by many different inter-related factors as economic, social or organisational trends (Scapens, 2006). Complexity of MAC can be better understood by the case study, since it offers to gain an in-depth knowledge and understanding of the change (ibid). For that reason, the case study was performed in one BU of an Automotive Company.

The research in an Automotive Industry gives the possibility to look in detail at a company that is facing many new challenges. The industry is currently subjected to many changes, which requires the Company to innovate continuously in order to keep adapting itself. Therefore, for both Beyond Budgeting and MAC literature, analysis of a complex change happening in a global organization can bring beneficial insights.



We focus in the first BU of the organization that was implementing the new PSI. For this case the BU has agreed to disclose some information, which can help to analyse the impact of the new process in the different levels of the organization. However, the Company will stay anonymous because of confidentiality reasons.

### **3.1 Data Collection and Data Analysis**

The data was collected during the first quarter of 2019, which is the first period when the BU started working without a budget. The reason behind choosing this period of time is that studying the beginning of implementation process can help to acquire specific data about expectations and challenges of the leaders in the implementation phase. For acquiring the data, semi-structured interviews were used. This method allows to observe and experience directly the insights of the organization's situation from the perspective of the employees (Neuman, 2004). In this case study, interviews were conducted in order to understand the leaders' expectations, beliefs and opinions about the new PSI. The questions were divided in two main topics. The first section had the objective of understanding the PSI. For this, the questions were based on Beyond Budgeting literature (Hope & Fraser, 2003; Rickards, 2006; Bourmistrov, & Kaarbøe, 2013). The aim of the second section of the interviews was to comprehend leaders and culture's role during the initial phase of MAC. This section was based on case studies of Beyond Budgeting implementation and other types of MAC (Kasurinen, 2002; Cobb, et al., 1995; Becker, 2015; Cäker & Siverbo, 2014). Questions can be found in the Appendix 1.

As previously mentioned, MA literature identifies leaders as an important force in MAC. Therefore, for this case study 8 leaders were interviewed (Table 1). They were 5 leaders from 4 different levels in the operational area and 3 leaders from administrative and finance areas. The process of change initiated at the top levels of the BU, thus choosing different levels helps to evaluate how the change translates throughout the organization. The chosen leaders had the opportunity to work with the new PSI longer, which allows to have more detailed information of the process and its implications. In average the interviews lasted one hour. The Director Business Controller was interviewed three times, since he was the most informed about the project. The interviews were recorded and transcribed. In addition, during the period studied it was possible to attend to a workshop, which helped to witness how the information is communicated throughout the BU and how different people react to it.

**Table 1: Interviews**

<b>Interviewer</b>	<b>Amount of Interviews</b>	<b>Total time</b>
<b>Operational Area</b>		
Director of the BU (Leader 1st level)	2	90 min
Director of Logistics (Leader 2nd level)	1	60 min
Manager of the Warehouse (Leader 3th level)	1	60 min
2 Managers of Warehouse (Leaders 4th level)*	1	60 min
<b>Administrative and finance Areas</b>		
Director Business Controller	3	180 min
Business Controller	1	60 min
Manager of Human Resources	1	60 min

\* The interview was performed with the 2 managers simultaneously

First, the gathered information was explained through the original Kasurinen (2002) MAC model. Further, based on this knowledge, analysis was conducted. The findings highlight the role of leaders and culture in the context of MAC implementation. Therefore, revisions of Kasurinen (2002) MAC model are suggested in order to strengthen the factor of leaders and role of the culture.

### **3.2 Limitations**

Qualitative case studies are limited by the sample, since it can be costly to gather a big amount of information and it is hard to find enough people that want to collaborate with the research. Therefore, the sample chosen might not be representative, but mainly relevant for the study, which causes sample bias. (Neuman, 2014) This limitation was found in the research, since the interviews were conducted in the area of warehouse. This area was the first to receive training about the new PSI. Thus, the area had an advantage, since they had a greater understanding of the change. Another limitation is the period of time researched. In case that the subject of study has long-term effects, it is important to evaluate in different periods of time how the company evolved (Neuman, 2014). However, the purpose of this study is to understand the implementation stage of MAC. Therefore, the analysis of a short period of time is what is required in this study. Additional limitation stems from the interviewing process is the possibility that the respondent's answers could be altered. The respondents can forget, lie or misunderstand the question (Neuman, 2014). Misunderstanding could have caused that some of the answers did not match the questions. In these cases, a following question was asked for

clarification. Further, since the interviews were recorded, some respondents could have been more careful with their answers. To prevent the feelings of restraint, it was carefully explained how the information was going to be treated and that it would be anonymised.

Additionally, the framework of Kasurinen (2002) has its limitations. The factor studies have been criticized for paying little attention to conflict of interests, which might be essential for explaining the barriers for change (Modell, 2007). There are few insights about potential power struggles between stakeholders, which can affect the direction of MAC (ibid). Further, Pimentel and Major (2010) point out that the categorization of factors might overlap in some cases, so in their case a barrier can simultaneously be a delayer and also a confuser. Moreover, Lämsiluoto and Järvenpää (2010) described that the model is limited since it considers the factors to be static. They evaluated that factors are dynamic, therefore the factors can change during the implementation process and can be identified differently in the model. In addition, they also emphasized, that the culture should be strengthened in the model, because it has an essential role within MAC. Despite these limitations, the model was chosen, because it allows to analyse the advancing forces and barriers at the beginning of the MAC implementation, which is beneficial for our study.

## **4. Empirical Analysis**

### **4.1 The Business Unit and its Previous Budgeting Practices**

The chosen Company is a global organization, which is operating worldwide in the area of Automotive Industry. It has manufacturing plants and R&D centers in Europe, Asia and America. The brand is recognized by offering premium cars and by being an innovative organization.

This study was focused in one BU of the Company, which was in charge of providing customer service. It also solved the issues which might arise, after the customer buys a car. The biggest part of the BU was the warehouse, where the spare parts were located. The operational costs of this warehouse were the higher impacts of the studied BU, with personal costs being the highest. At the time of the study, the BU was the farthest in abandoning the budgets, with the possibility of applying it in the rest of the BUs.

In the studied BU the budgets were planned year by year within a period of 5 months, starting at the end of September and finishing at the end of January. This process required to plan the

cost per line, known as cost item, of more than a hundred of Cost Centers with the purpose of having in detailed the expected behaviour of the Company. In the process the owners of the Cost Centers always manage to add extra money as a backup plan which should not be contemplated at the moment of planning, but it helped them to ensure their targets at year end. Therefore, each year the figures needed to be analyzed more carefully in order to take out the extras of all the Cost Centers. The Company needed to have a lot of meetings at different levels before delivering the final figures. Calculating a Budget was becoming a problem for many of the people involved, thus the Company in 2018 decided to change their way of working and get rid of the traditional budget. 2019 was their first year without a real budget which generated concerns among some people inside the organization.

## **4.2 Performance Steering Initiative**

### **4.2.1 Reasons for Beyond Budgeting Implementation**

The budgets were criticized by the BU for the following reasons. Increasingly turbulent market environment results in the Company's need to be more flexible. Since the budgets were planned annually, they had just limited option to be adapted in a timely manner. It was not possible to adjust the budget to the new investment opportunities, turbulences in the business or negative influences. Therefore, the annual budget planning was viewed as imprecise, because at the moment of building the budget it was impossible to predict what will happen one year ahead.

The budget creation was a lengthy process, which could take sixth months to be completed. It was initially built bottom-up. The employees of the different areas sent the calculations of the expenses they might have the following year. Then the superiors approved these suggestions up-down. This process created several problems. Firstly, the employees were adding buffers into their calculations of required money. Hence, it was never fully understood if the calculated costs were reasonable. This lack of transparency caused that the approvement process, often accompanied by cost cutting, was not done based on properly informed decision making. Secondly, in case leaders did not use some of the budgeted money, they received a lower budget the next year. Consequently, there was an incentive to spend all the budgeted money before the end of the year, which often caused inefficient spending.

Another important reason for implementing the new PSI was that budget allowed leaders to avoid responsibility for decision making. The Director of the BU stated this in the following way:

*People are hidden behind the budgets. So, they avoid taking responsibility. They blame the budget. [...] they said “Ok, I am responsible of this area, but I didn’t get the budget, so I cannot do anything”. [...] “It is not my decision, the boss told me I had this budget you know. So, I cannot do anything”. That was quite convenient many times here.*

The Director of the BU explained that one of the problems with traditional budgets was that many times leaders did not act to their full potential and instead blamed the budget limitations. The lack of accountability was the main reasons resulting in the decision to implement new systems, which would better serve the BU needs.

#### **4.2.2 Characteristics of the Performance Steering Initiative**

The implementation of new MA practices in order to eliminate the budget is a sign of Beyond Budgeting. In the case of the studied BU, it was developed and tailored by the leaders specifically for the needs of the BU. This means, that PSI did not adapt all the principles as stated by Hope and Fraser (2003). For example, the Company did not benchmark the results to the external information from the market, but it might consider it in the future. It also did not relate the results among internal groups of peers. Instead, the targets were related to the results of the previous years. Also, the BU did not have monetary rewards to motivate employees to follow the relative targets. Instead, non-monetary rewards were used with the possibility of promotion in the future. The BU also did not have a direct contact with the customer yet, so it could not coordinate its action to prevailing customers demand. Otherwise, the PSI had similar traits as Beyond Budgeting principles described by Hope and Fraser (2003).

Previously, the budget had several functions. It served for resource allocation, target setting, forecasting and as a control tool to track the money spending. In the new system, some of these functions were divided in target setting, resource allocation, forecasts, and the visualisation tool of the performance evaluation, as shown in Table 2.

**Table 2: Old system vs. New system**

Function	Old System	New System
Target Setting	Budget	KPIs, Run Rates
Resource Allocation	Budget	KPIs, Run Rates
Forecasts	Budget	Rolling Forecasts
Performance Evaluation	KPIs (Financial and Operational separated)	KPIs (Financial and Operational related), Run Rates
Visualisation Tools	Excel	Power BI

Target setting for operational expenses were tracked with relative KPIs. Previously, the BU had worked with KPIs, which were either financial or operational. In the new set of KPIs, those two measures were going to be combined. Connecting those should deepen the understanding about the business and lead to greater efficiency. The main KPIs combined financial costs and operational factor as number of workers or volume in cubic meter in the warehouse. The target setting was based on relative improvements of the KPIs. The improvements were going to be benchmarked to the results from previous years and had to be agreed between the KPI owner and the superiors. The KPI owner was considered to be the most knowledgeable about his KPI and he was expected to base his arguments on a deeper analysis of the KPI figures and its potential improvements for the next year. An example of an agreed target was that KPI should be improved by 5% in comparison to the previous year. Also, the targets were adjusted every quarter depending on the BU's circumstances.

Resource allocation of operational expenses was made in a way that leaders have constant access to resources. Just in case they need to use a greater amount of money, they had to fill in a requirement for an approval process, which was then evaluated by the superiors. Different resource allocation process was in place for development costs and investments. Every quarter there was a Quarterly Planning Meeting. The purpose of this meeting was to prioritize projects in order to distribute the resources. These resources were allocated into Product Clusters, which were groups focused on development of certain product or area. For every Product Cluster's development costs there was a Run Rate, which showed how much money is assigned to it. At the Quarterly Planning Meeting the leaders should discuss, where the money should be invested in order to create the greatest value. Each leader should be prepared to explain, why the resources should be allocated to their Product Cluster. These group discussions should give base to more informed decisions about resource distribution. Furthermore, the leaders ought to

be more knowledgeable about the investment opportunities in the Clusters of their colleagues. As a result, the discussions should not only improve communication among leaders, but also their cooperation, because it emphasized how were different areas of the business interconnected. In this new way of working the resources were allocated between the Clusters. In addition, the Cluster could redistribute their money internally throughout the quarter, so the money won't stay unused.

For tracking the performance of the BU, the Company added rolling forecasts. These were planned to be calculated based on the KPIs and Run Rates. These should be also updated quarterly which helps the rolling forecasts to be more up to date to the real situation of the BU.

Further, for visualizing the performance, Power BI was implemented. It is a business analytics software used for the visualisation of data and reports. Power BI should provide the leaders an overview of the results of the whole BU. The leaders would have access to customized dashboards, which visualise data and KPIs relevant to them. Additionally, Power BI should present the data in a more understandable way than excel. The data were going to be updated monthly and the deeper analysis of the results was going to be done quarterly.

Until the moment of writing the Thesis, the BU was at the beginning of the implementation process, which was intended to continue for the following months. The main core ideas behind the new systems were already formed and they were shared throughout the BU. The new systems, their potential and usefulness were communicated through many meetings, workshops and discussions. The continuous communication of these core ideas was efficient, since there was a shared understanding of the purpose of PSI at all the different levels.

From the beginning of the year 2019, the leaders were no longer working with budgets. Even though the core ideas of the PSI were successfully shared, the practicalities of the new systems were still in development in April 2019. The main focus at that time was on finalization of the Power BI tool. The customized dashboards still needed to be developed and some KPIs had to be decided on. Since the operations of the BU were ongoing, the leaders had to work with their previous tools as excel sheets. On the other hand, the progress was made in establishing the Product Clusters and conducting their first Quarterly Planning Meeting.

Nevertheless, some of the systems remained the same. For example, the lower levels of the leaders in the warehouse were not participating in the budget creation for several years. The

responsibilities for that started from the 2nd level of Managers of the Warehouse. As they have expressed:

*I don't think that we are going to see any difference in the daily business. [...] we still talk about accounts. Because the people that are going to do the work, they need Cost Center and Account. That is not different. But I think it is going to be easier for our boss to do maybe more expensive things in the future. If he can show that we are going in the right way and now we need to do some investments. I think that process will be easier. [...] (Manager 1 of the Warehouse, leader 4rd level)*

This means that the lower levels of the managers were not going to see many changes in their everyday life, since they were still working with certain accounts and Cost Centers. Another unchanged factor was the reward system, which continued to be non-monetary. Finally, there was still an approval process in place, which helped to control the higher investments or costs.

The Company got rid of the administrative burden of traditional budgeting, but it did not necessarily mean that the new processes required less resources. Budgets were going to be replaced with ongoing discussions, meetings and team decision making. However, it was argued that these activities were going to be much more value adding than the budgeting process.

### **4.3 The Implementation Process as Management Accounting Change**

The following section presents the collected material according to Kasurinen (2002) MAC model.

#### **4.3.1 Motivators**

The studied Company was influenced by the previously mentioned EASCY trends, which have caused the Company to change some of their internal processes, products and even to start implementing a new Business Model. These changes were done with the objective to react faster to the market conditions and to increase the contact with the final customer. The BU has been impacted by the innovations in electric cars and automotive vehicles, by the growing interest in sustainability issues, by globalization and the Company's global presence.



In addition, the Company's culture supported the delegation of responsibility and accountability from top-down. The decentralization is in alliance with the strategy of the firm, which emphasizes the need of increased flexibility. To support the timely responses of the organization, the Company also started to implement the Agile methodology, which encouraged cross functional collaboration and short time goals. The Director of the BU and the Director Business Controller understood this necessity to be more responsible, because they had experience from working in a BU more focused in the market conditions. Therefore, the Company's strategy and their knowledge gave them the idea to become more focused in working with what they call "the market way of thinking". This way results in being more perceptive to changing market environment. In comparison to "the market way of thinking", the BU had worked with "the headquarters way of thinking", which means that the market conditions did not impact directly the way of working in the area. The connection to the market business was not direct, e.i. the sales could not be appreciated immediately. This problematic was described by the Director of the BU, who had previous experience from working closer to the market.

*Just because you have a budget, you cannot just refer to that one, because that is the old behaviour. "Yeah, yeah, but I have my budget. It was approved. So, I'm going to spend the money" [...] So, I think it is going to be more of the market way of thinking. That if the business suddenly drops in May, you need to rethink.*

With the budget, the people spent the money even though the market revenues were going down. The employees were not as committed to adjust their expenses. This caused that their reaction to the market conditions was not fast enough.

The EASCY trends, the Company's strategy and the need for flexibility resulted in the realization that the BU might need to implement the new PSI.

### **4.3.2 Facilitators**

The Controlling area of the BU played a key role as the main facilitator of the implementation of PSI. Firstly, Controllers had deeper knowledge about the finance of the BU. Their expertise was crucial in order to develop the new MA principles, which were going to be implemented instead of budgets. Secondly, the Director Business Controller had enough authority to drive this change. Together with the Director of the BU, they were able to initiate, design and implement the new system.

Additionally, an important facilitator was the technology of the Company. The Company had already invested in Power BI. Therefore, it was easier and beneficial to widen the usage of Power BI to the studied BU. The BU was also collecting the data through SAP and excel, which helped to transfer the data to Power BI.

Culture of the Company also worked as a significant facilitator. A strong emphasis was given on cooperative way of working. It was based on teamwork, constant discussions and continuous feedback. This culture of cooperation was an important prerequisite for implementing the new PSI, because it created multi-level controls, which are needed for companies who intend to work without budgets. The culture was also visible on the mindset towards a rewarding system. The Company did not believe in the monetary reward system as being effective in increasing the engagement of the people. From their previous experience with this way of rewarding, they had found some flaws that prevent the employees to be proactive and honest. Three of these main reasons were mentioned by the Manager of the Warehouse. First the employees did not perform their job fully unless they have received the extra money.

*With the monetary kickback system, I basically told them “You are only getting paid, or I am only going to get ideas from you, if I give you more money.” (Manager of the Warehouse, leader 3rd level)*

Second, the employees could work unfairly and steal other’s ideas just to get the extra benefit for their own.

*So, let’s say that you both come up with the same idea. You heard her idea, you stole it, but you told it to me first. So, who is going to get the money for it? This has happened. (Manager of the Warehouse, leader 3rd level)*

Third, with this system, most of the time what was rewarded was the idea. Nonetheless the implementation of the idea was performed by another person who needed to challenge himself as well in order to make it possible.

*Also, I can tell you an idea is never better than the implementation. So, your idea is implemented by someone else. So, who should get the money now. (Manager of the Warehouse, leader 3rd level)*

Consequently, the achievements were rewarded by the recognition of the Company and their co-workers. This strategy had the purpose of lifting the employees up by showing their results,

which was going to help them to keep growing in the organization. Following the teamwork culture, the organization tried to make these recognitions not by person, but by group. Monetary rewards create an environment where people will only work for achieving their personal best interest, so they will only perform the activities that can grant them greater reward. However, the recognition of a team persuades them to act for the best interests of their group and the BU. This was in alliance with the new PSI. This initiative was strongly based on cooperation, because projects should be prioritized based on value creation. This would not be possible in case leaders would try to act for their own benefit just to achieve their own targets.

### **4.3.3 Catalysts**

An important catalyst was the negotiation of the suggested BU budget with the top management of the Company. Due to the lack of transparency in budget development, the Director Business Controller and the Director of the BU could not provide sufficient explanation for the money required. This event contributed to the change, because it was the last straw of the long-term dissatisfaction of budget process.

Another catalyst was the appointment of the Director of BU and the Director Business Controller, who became active supporters of the innovation in the Company. They were used to the market way of thinking, where you can see a direct connection between the sales and the operational costs. Consequently, they have worked on developing the new systems and gained the support of the top management necessary for the implementation. Following, they have continuously communicated and explained intended changes to the employees of the BU.

### **4.3.4 Leaders**

The Director Business Controller with the support of the Director of the BU planned and implemented the change in the BU. They were talking about the reasons for change with the leaders, months before the implementation. Due to this communication, the leaders realized what were the problems with the old system and understood the potential of change. Since leaders were an important advancing force in MAC, their support was essential for PSI implementation.

The underlying belief of the leaders, which persuaded them to embrace the change, was explained by the Manager of Human Resources:

*To create an engagement, you need to involve people.*

This describes the common belief that involvement motivates people to perform better, because they feel that they are being considered. Engagement in turn improves the performance of the employees. This idea was in alliance with the PSI, because it promised to give more accountability to the people. Accountability was described by Director of Logistics as:

*Accountability to me is a mix between responsibility, but you both own that responsibility and you deliver upon that responsibility. So, it is a little bit wider, it is a responsibility plus that you actually execute the responsibility.*

This means that the leaders should take more responsibilities in the decision making, execute their decisions and at the end take responsibility of the consequences of their decisions. Leaders viewed granting accountability as a positive change and they saw its potential in creating engagement.

Another shared belief was that the leaders closer to the operations were the most knowledgeable about the operation of the BU, so they could take more informed decisions. This belief was again reflected in the PSI. The PSI provided a clear target and the leaders responsibility was to figure out the ways of how to achieve it. The idea behind was that since the leaders at lower levels had more expertise of the operation behind the KPIs, they could find more efficient ways of how to create value. This again resonated with the beliefs of the leaders, who responded supportively to the PSI.

Finally, all the interviewed leaders were unsatisfied with the previous budget planning. They agreed with the reasons for implementing a new PSI and they especially supported the idea of increasing the focus to value creation activities. Additionally, they favoured combining financial and operational figures in the new KPIs. This new way of working should have increased the transparency of the leaders' performance. Thus, they expected this new PSI to help them show value creation ideas that previously were hindered by the financial barrier.

The strong communication among the leaders helped to create a positive environment towards the change. Since the leaders believed that the changes are beneficial, they were on board of the change. At the moment of writing the Thesis, all the levels that were interviewed showed an optimistic approach towards this new process, even though they shared some concerns. This support created a strong advancing force of change.

### 4.3.5 Momentum

The communication was essential for keeping the momentum. Leaders were informed about the new systems throughout various workshops, meetings and discussions. The opportunity to ask for explanations and provide feedback made them feel involved in the change process, helping the process to be developed. They communicated the information to their employees, which helped to spread the knowledge throughout the BU. The involvement of the leaders was fuelling the momentum of change. As more and more leaders started to believe in the benefits and potential of the changes, the momentum became stronger.

### 4.3.6 Confusers

For months now, the ideas behind the PSI were explained and spread throughout the BU. In order to implement these new systems, it was vital to empower the leaders in their decision making. They should have a clear goal and be responsible for finding a way of how to achieve that goal. However, the most essential challenge perceived by the upper levels of leaders was, how to be consistent in the management style and truly give the accountability further. The risk was that the upper levels of leaders might in certain situations take part of their decision-making power back, which could confuse the superiors. The Director of the BU illustrated it on the following example:

*Travel is a good example. Me and the Director Business Controller of the BU were thinking: "Should we have a very strict travel approval?", because we want to bring down travel costs. We want to do that. In the old days, it was easy. You took what they spend last year and you said to everybody "You have 20% less this year." That was the old structure. And we have said "No we are not going to do it like that, because that will be inconsistent. That will show we are not following this." So actually, we have told the team "We are not going to give you any target on travel, but we are going to have extra monitoring on it. So, we are going to monitor the travel cost. And if we start to see that it goes like this, we will have a dialogue in the management team: "What is happening? Why is it increasing so much?"*

The problem of inconsistency arises when the employees face different leadership styles. Sometimes, the leaders could feel empowered in certain situations. In other cases, their superiors might not want to delegate the responsibilities. This inconsistent behaviour could make leaders confused about whether they are truly accountable or not and how they should

perform. They might start relying on their superiors to decide, because they will feel that even in reality, the accountability was not given further. Additionally, inconsistency in the managerial styles can affect not only one leader, but can cascade to all the leaders on lower levels. If one leader is being told how he or she should perform, it is not possible to empower lower level of employees. This might cause the change to be hindered.

There remained few mechanisms that are in alliance with the previous managing style. One of this was an approval process for bigger investments. This way of working might cause a confusion between the levels. Leaders may not feel that they have more decision-making power because the approval process stays the same. There was a danger that the superiors might take part of the power back through deciding on which investments should be approved, instead of being open to discussions. However, this process applied only on a greater amount of money, as the Director Business Controller pointed out:

*[...] it is quite high limits in the approval chain. So, this KPI owners, they will have quite a big amount of money that they can approve themselves. So, you need quite a big jump before it goes to anyone else in the approval system.*

Another problem was that the BU did not yet develop a solution for when leaders act in a non-desirable manner. There might be a need for the superior to interfere and give a direct instruction, but that would again mean taking the accountability away. The leaders agreed on that there must remain frames within which employees can operate. Nevertheless, these frames were going to be developed as the process advances.

Additional inconsistency was found between the BU's and the whole Company's way of working. The BU represented only one part, which needed to follow the Company's policies and rules. The Director of the BU explained how after the first quarter, the BU's results shown a good performance, however the Company as a whole faced financial problems. Therefore, new instructions from the top managers of the Company were introduced to all the BUs without exception. In this case, the top managers decided to restrict the amount of headcount for the next period.

*So, they are actually walking away somehow from what was said. And that was the problem I had with the management team today, they were challenging of course "This is not what we said last year. Now, it's suddenly restrictions on headcount, et cetera." (Director of the BU)*

This type of new instruction should be performed regardless of the new PSI. However, it could cause confusion since it created conflicting leadership styles. It could also disappoint the leaders since they might not feel empowered. In these cases, the interviewees agreed that the best way of managing the conflicting ideologies was to improve the communication in order to clarify why the decision was taken and where it is coming from.

Moreover, the PSI tried to combine the short term and long-term strategies. The new way of working required to plan the future projects quarterly. However, the BU's previous way of working was based in the headquarters' mindset, which focused in long-term projects. Therefore, it was hard to understand that leaders should not shift their goal from long term to short term, but to consider both goals in each decision. This meant to work quarterly while taking into account that the quarterly projects were only helping to achieve the long-term goal.

Further, the studied BU needed to cooperate with other BUs in the Company. Since it was the farthest in the implementation process, other BUs were still working with budgets.

*Two examples of these is headcount, because we have been given a budget. We'll say "Ok, we want to use this budget for this project". But then [...] it's a separate budget for your headcount. So, even if you have the money, you cannot hire the people. So, there is a conflict. So, you have the money but then they say "No, no, no this is a different budget or target that you cannot go over" and then that is a conflict. Another conflict that we have is also IT money. IT money is a separate budget so once again I might have budget from my project but then there are very few projects that don't have anything with IT to do. So, there is usually always a component of IT. That is a separate budget. If they have a different prioritization I still cannot do my project. Even though I think it is important, I want to do it, I still depend on them. [...] So, they are not being totally 100% logical either in this, which confuses perhaps people. (Director of the BU)*

The Director of the BU explained how even though the BU was trying to generate more freedom to act to its employees, they still had to deal with the idea of having a budget in some accounts. It might be difficult to discuss the resource distribution with another BU, which acted according to the previous system. Thus, when the control or prioritization process differs, it might raise confusion.

One of the main problems the leaders were facing was uncertainty. Since the implementation was in its initial phases, they were still missing more tangible information about how the change would affect them in their everyday work. The ranges of implemented change, its influence, consequences and effects still remained unclear. The lack of knowledge of what was practically expected of the leaders caused the feelings of fear.

The main area of uncertainty was the area of spending. Previously, the budget gave them a tool to control their expenses. The leaders knew, how much they can afford to spend. Without the budget, there were high concerns about overspending. It was communicated, that the target is now KPIs and that spending was not a problem, because the leaders should focus instead on performance improvement. Nonetheless, it seemed that the leaders were worried about crossing some inarticulate cost boundaries and being responsible for that afterwards. These concerns were explained by one of the Managers of the Warehouse:

*It is easier for a manager to say "You can use the money in your budget and when it's empty, it's empty. You cannot buy anything more." And then I know that ok, they can spend their money, but I know the level of it. But now today, there are not any roofs, there are no budgets. So, it's a lot of responsibility to managers [...] And with this new way, when I can't look at the account then I would be more worried about "How much money are we spending? I can't see it." I have to wait for the KPIs or the monitor meetings that the Manager of Warehouse is going to have quarterly or something, when they look at it. And then maybe he gets the ugly surprises in that meeting. "You are overspending! What are you doing?" This can be a bit frustrating, I think. (Manager 1 of the Warehouse, leader 4rd level)*

In the new system, the above described situation should not become a reality for following reasons. First, for every major investment, there were an approval system and discussions made. The greater expenses were discussed and communicated between the teams and with their superiors. So, the management should not be surprised, if a greater expense occurs. Second, if leaders are truly granted accountability, their performance should not be measured based on spending, but on the final KPI which connects the cost with operational measures. That means, that the leader was going to be measured based on the improvement in performance he or she managed to bring. In case the superiors tell the leader how much and where he or she should spend, it comes back to the above described problem of inconsistency in management styles and creates confusion. The situation of overspending could be a problem,



in case that one of the above-mentioned mechanism fails. That would mean either the problem in communication and control, or the problem of mismanagement.

There was a high probability that these uncertainties would be cleared in the near future after the studied period of time, as the implementation process progresses. The process of implementation could take several months before the implementation was finalized. However, if the uncertainty of the leaders remains for the longer period of time, they might start losing their patience with the uncertainties they are facing. They may eventually lose their belief that the change will be realized at all. The feeling that the majority of the processes will remain the same may harm the support and positivism that leaders feel. The raise of doubts, unclarity and disappointment might endanger the process of change.

### **4.3.7 Frustrators**

In the process of change, some possible barriers causing frustration were found. From the top management of the company, there was always a risk that in case the implementation process might not go as quickly or effectively as expected. This could cause the project to be partially stopped or reversed.

Additionally, certain leaders might not feel comfortable with the decentralization of power. There is a risk that they are hesitant to give accountability to their subordinates, which might suppress the progress of the change. As was explained by the Business Controller:

*[...] with a budget you can feel very much in control of others. [...] because they have to come to you to ask, if can they or cannot they. But if you take that away, then you don't have like a top manager that has that control over others. So, that can of course affect leaders and they might be a little bit insecure and say that "Ok, now I have lost a lot of power, since I don't have a budget in my pocket anymore." So, that can be a bit challenging I would say to actually... That's the thing that I would say it goes back to well this is our long-term ambition. We actually spend our focus on that and then clearing the path for the operations to actually reach that long-term ambition.*

However, this problem might be constantly worked on with help of the Company's culture of an ongoing feedback and discussions. The leader can learn along the way of how to act in the new system. It may also bring him or her new opportunities within their work. As the Business Controller further explained:

*Instead of being in the nitty gritty parts, you would probably be able to lift your view as a leader and spend more quality time than if you are in the detail all the time. So, you put a lot more trust into the operation. By doing this and then we just keep track of “Are we on the right track or is there anything that we want to change?”*

This means that with this new system in place, employees are going to spend their time in doing more quality activities instead of using that time in administrative tasks.

One of the frustrators might lie in the tool Power BI. Its great benefits were that it was going to grant leaders access to the data, which they did not have before. It can also show the data in a more understandable way than other systems. However, the underlying data used for visualisation were going to stay the same as before, because Power BI collected them from already existing systems. The Company acquired a great amount of software during the years of its functioning, and some technologies might be older and at the same time too expensive to replace. In certain situations, there might be problems with the quality of the data used, which would in turn decrease the quality of results offered by Power BI. If the leaders decide based on non-quality data, they cannot take the full responsibility for the consequences of their choices. That may cause the leaders to be unsure about their decision making. Therefore, the Company started to invest resources for fixing the data quality problem. However, the development was taking more time than what was expected. After the first quarter, Power BI was still not fully in place. If the leaders cannot visualize their results in order to take short and long-term decisions, then there is a risk that the project could be cancelled. Due to this problem, the Director Business Controller expressed some concerns:

*If we are not going to get it in place very soon, we will lose their enthusiasm and either they do something on their own or they will request all the excel sheets back.*

The Director Business Controller was aware of the possibility of losing the leaders positive attitude towards the new system, which could cause the BU to go back to the previous tools, including the budget.

A new barrier found after the results of the first quarter was the change of management. The BU was expecting to hire a new Director of the BU. However, as it was mentioned previously, the Director of the BU and the Director Business Controller played an important role in the introduction of the new PSI. Losing one of these pillars could decrease the motivation of the

leaders to keep working towards this change. The Director Business Controller mentioned that the BU was facing two main problems. First, there was a probability that the new Director might not agree with the idea of working without the budget. Second, the necessary tools that can help to persuade the new Director to work towards the change were still not in place and they were running out of time.

#### **4.3.8 Delayers**

Even though the BU was actively working on the new systems, the development and implementation took longer than expected. At the moment of writing this Thesis, the leaders did not work with the budget anymore, but they still did not receive finalized KPIs. Also, the dashboards in Power BI were still in development. The leaders were mainly relying on some of the old tools and waiting for the further implementation. The main frustrator was that even though leaders feel prepared to start working in the new system, they had to wait for the finalisation of KPIs and Power BI. This was described by the Manager of the Warehouse:

*So, we understand why we are doing it, we are all behind it, but I can feel that we are a little bit too early out. Because we left the old behind without having the proper instrument to look out how are we performing, when we started it. Manager of the Warehouse, leader 3rd level)*

The Company invested the time in ensuring that the figures were correct and the KPI measurements were useful.

*The hardest is to actually find the correct operational data to compare the financial data with. (Business Controller)*

As the Business Controller mentioned, even though a great amount of work was already done considering the development of KPIs, some KPIs still needed to be worked on. The leaders understood that it might take a while to find the correct solutions. Moreover, they were also part of the development process. Their understanding of the business was essential for finding the correct data that would give the necessary information that needed to be tracked. Additionally, more IT development was still needed considering the technological part of Beyond Budgeting. This was also delaying the use of Power BI.

Furthermore, the leaders realized that the change was not as smooth as they expected it. Until the middle of March, they had some meetings and workshops that informed them about the

change. The explanations mainly helped them to understand what the purpose of the change was and what were the expectations from it. However, they were lacking information about how they should perform and how specifically was their everyday work going to change. This problem was commented by the Manager of the Warehouse in the following way:

*We should have had the solutions in place when we left the old. That would make the difference for me. I am surviving on what I had before [...] To make it available before we make the transition, that would have made it a little bit smoother.*  
(Manager of the Warehouse, leader 3rd level)

If the leaders had the tools available when the transition was made, the changes in the leaders' daily work would be clearer. They would have more tangible knowledge about how they are supposed to work with the new system. Due to the unpredicted delays in the development, most of the leaders were still working as previously and waiting for the new tools to be available.

Finally, it could be perceived how the amount of information started to decrease in the lower levels of leadership. The top levels of the company were the most familiar with the change, because they were more involved in the process. They had greater number of meetings and discussions than the lower levels. At the moment of writing the thesis, the knowledge about the change was gradually communicated to the lower levels in the BU. Even though the lower levels had discussions and were informed about the change, they have had only one main formal workshop. This generated a mismatch of information.

*We try to pick people out of all managerial and operational levels, just to create the sense that this is for everyone. That empowerment goes for everyone, everyone needs to be involved and work in this way. But that was the session with I don't know, 30 people. We are globally almost 1000 in my unit. So, I think it takes a lot of time and I think that is the key, but it is also the biggest risk, that how does everyone feel involved in this. (Director of the BU)*

The Director of the BU said that the changes were going to be communicated to all the employees of the BU. Although the leaders of the BU wanted to engage everybody, they knew that the process was going to take a while until everybody fully comprehends the new PSI.

## **5. Analysis and Discussion**

The alignment between the culture of an organization and the new MA practices can influence positively the success of implementing the new systems (Bhimani, 2003). Therefore, the culture of the Company was examined in order to see, whether the culture and PSI are in alliance. It was found that before the implementation of PSI, the BU already shared the culture with high values in cooperation, communication and trust. This teamwork culture gave a strong emphasis on the inclusiveness of the employees. Additionally, the BUs culture fostered work satisfaction of employees. They should feel that their work has a purpose and that they are contributing to help the Company to achieve their goals. In the BU it was believed that if the Company is successful, it is based on the good work of employees and everyone shares this success.

We view this importance of the individual as contradictory to the hierarchical way of working. The traditional budget is a tool typical for hierarchical structures, because it provides control and works as a planning tool (Lane, 2015). Since it strictly divides the money for all the activities in leaders' daily work, it prevented the leaders to be more empowered and creative. Therefore, there was a dissonance between the culture and the MA practices, which resulted in the decision to implement new MA practices. This led to the development of the new PSI that better reflect the culture of the BU. However, during the initial phase of the transition to PSI, the BU encountered some problems that will be explained in the next section.

### **5.1 Challenges found during the First Step of Beyond Budgeting Implementation**

Beyond Budgeting research lacks empirical studies about the challenges that companies could face during the implementation of it. This knowledge is valuable for the companies to assess, whether Beyond Budgeting would be beneficial for them (Nguyen et al., 2018; Rickards, 2006). Therefore, the challenges found in this case study contributes to understanding potential problems of Beyond Budgeting, which may arise at the implementation phase. These findings can help other companies to recognize what they might face in the implementation process of new MA practices.

One of the main challenges of Beyond Budgeting implementation is that it needs to be tailored to specific organizational conditions, which increases the costs of development (Rickards,

2006). That was also a case in our studied BU, because development the new PSI as KPIs and Run Rates demanded a high amount of resources. Further, the main problems encountered in this stage were technical difficulties. The Company did not have the new tools in place at the moment when budgets were no longer used. This problem grew even more by the unexpected prolonging of time, which was needed for improving the data quality and developing Power BI. However, dealing with these issues was crucial for PSI to run efficiently. These delays endangered the future of PSI, since they increased the feelings of uncertainty. Another challenge in this process of change was to work with other BUs and with the whole Company without sharing the same new MA practices. Being the first BU to implement this initiative challenged them to obtain positive results sooner. The BU depended on the Company's whole results and in some areas on other BUs' budgets. Consequently, during the implementation process they were shadowed by the inconsistency of decisions taken between the BU's new system and the Company's orders. Thus, they limited their freedom to act and created confusion among the leaders.

An additional challenge is the departure of people that play a key role during the implementation process, which could lead to the reintroduction of previous practices (Becker, 2014). In the case of studied BU, the Director of the BU was about to leave to another division. Since the Director of the BU played a crucial role in the project, his departure increased the uncertainty of the project's success. Until the last interview, the BU was not clear about what standpoint toward PSI will the new Director have. Therefore, the risk of going back to the previous budgeting methods increased. However, in the BU there were found certain strategies, which can help to overcome these problems. These will be analysed further.

## **5.2 Culture and Leader's role**

Previous research discovered that leaders (Bourmistrov and Kaarbøe, 2013) and culture (Hope and Fraser, 2003) impact the process of Beyond Budgeting implementation. Our findings are in alliance with the previous literature. In the case study it was documented that leaders, who had knowledge about the PSI and supported the initiative, used their leadership power to influence the change in a positive way. They were actively communicating the main ideas and goals of PSI to the different levels of the BU, which helped to raise awareness and understanding of the initiative. Also, the leaders supported each other in case they felt insecure or lacked explanations about PSI. As a result, they persuaded other leaders to not only accept the change, but also to support the main ideas behind it, which helped to facilitate the

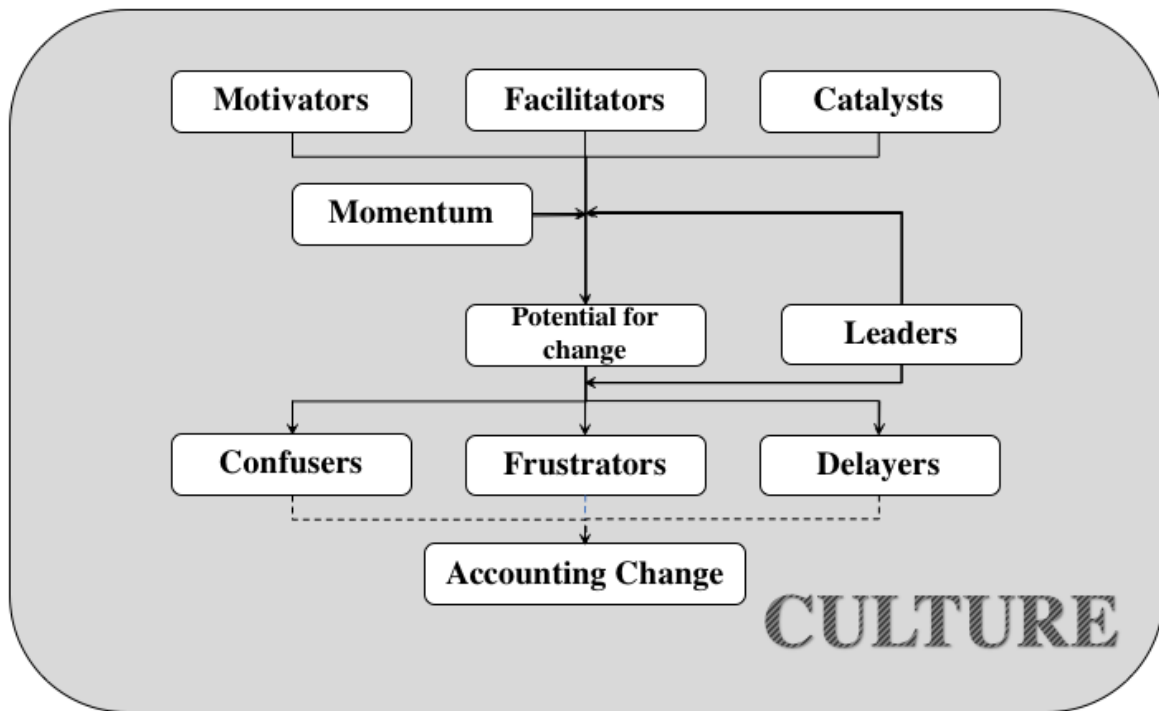
implementation. Despite the feelings of uncertainty or fear, leaders saw the purpose behind the changes and felt optimistic towards the PSI. However, we have also perceived a risk of leaders acting as a barrier. As Becker (2015) discovered, in case leaders are not supporting Beyond Budgeting, the approach will be very difficult to implement. In our case the respondents expressed concerns, that certain leaders might not be willing to give further the accountability, because they do not identify themselves with the change. Even though we have seen leaders mainly as an advancing force, this risk could contribute to the hindering of change.

Further, in the context of MAC, the interplay of culture and leaders has a great role. We claim that in case the culture of the organization is not in alliance with the implemented changes, the leaders will act as a barrier towards change. In our case, the shared culture acted as strong underlying factor needed for leaders to serve as an advancing force. Since the PSI was in alliance with the leader's values and convictions, they accepted the change and supported it. Thus, they acted as an indispensable force advancing the change further.

### **5.3 Model Revision**

Due to the strong interplay of leaders and culture in the process of change, we decided to revise Kasurinen MAC model. First, we have seen that leaders might use their leadership power both in a way towards advancing and hindering the change. Thus, we suggest making factor leaders part of both forces, as can be seen in Figure 2. That would mean, that instead of classifying leaders as a frustrator, we move this act of decision-making power to the factor of leaders. Second, considering the importance of the culture, we support the recommendation of Lämsiluoto and Järvenpää (2010) that the interplay between culture and MA practices should be more explicitly stated in Kasurinen (2002) MAC model. Consequently, we contribute to the Kasurinen (2002) MAC model in following way:

**Figure 2: Management Accounting Change Model**



The culture is displayed in the model as an underlying base, because its influence was found in multiple factors of the model. Based on the previous research, the culture can act both as an advancing force and a barrier (Kasurinen, 2002; Lämsiluoto and Järvenpää, 2010; Yazdifar et al., 2008). In our study, it was also characterized as an important facilitator of change. However, the culture has its place also in motivators, since the culture of the whole Company supported the decentralization and the accountability of lower levels. In case of catalysts, the appointed leaders had the cultural background needed in order for MA to be adjusted to the culture of the Company. Nevertheless, that is not the only role of the culture in the studied BU. According to our findings, it can be also beneficial in overcoming the barriers of the change.

### **5.3.1 The Positive Impact of Culture on the Barriers**

When the new managerial changes are implemented, it goes hand in hand with the change in management style (Taborda, 2000). However, sometimes there can be a conflict between the old and the new management style, which was also a risk for the studied BU. Leaders might slip into previous management style, which causes barrier confuser. Culture of continuous feedback can help to ease this barrier, because it brings attention to this problem. Then, the support from colleagues can help them to learn the preferred management style. Sharing the knowledge of how to manage in the new systems can also decrease the feelings of uncertainty.



In addition, taking the leaders concerns into consideration can help to ease the fear of change, even though the development of the system is still in this progress. Encouraging the leaders to ask whenever anything is unclear helps the superiors to better address these concerns.

Hope and Fraser (2003) emphasized that sharing of information and functional communication are important for Beyond Budgeting to function efficiently. According to our findings, culture supporting frequent communication and discussions can help to ease certain barriers. For instance, the problems with the implementation process might decrease the interest of the top management to support the change. However, an open dialogue can help them to comprehend why the change is taking longer time than expected. In addition, communicating of what the BU have achieved could help to maintain the support of the top management. The delayers effect can be lowered through the engagement of the leaders in solution creation. The time spent in the development of the KPIs could be decreased by involving the leaders in the process. If leaders bring their insights, concerns, and requests of what is important to track in their area, then it is easier for the Business Controllers to find which measurements should be included in the future KPIs. Additionally, frequent communication will help the other BUs to be aware of the challenges of the PSI, decreasing the delays in implementation further in the Company.

Finally, Heupel and Schmidt (2015) emphasized that having a culture based in trust and fairness prevents leaders to take advantage of the dysfunctionality of the system. This study complements their claim by the evidence from a real case company. Even though the leaders worked without budget and without the new system fully in place, they managed to work efficiently to decrease the BU's costs after the first quarter results. This is explained by their strong culture of trust, communication and cooperation, which was embedded in the leaders before implementing the new PSI. The leaders also shared the idea of the importance of being cost efficient. Therefore, the lack of steering system was not abused and the BU could still deliver a good performance.

### **5.3.2 Barriers as Opportunities**

The barriers of MAC hinder the change and create problems in the implementation of new MA practices (Kasurinen, 2002). However, barriers do not have to only hinder the change. Barriers can also have a positive influence on MAC, because they can provide an opportunity to improve. In case of confusers, they indicate the areas which need clarification. Solving the problems causing confusion will help to develop the systems in more comprehensive way.

Additionally, unexpected problems might arise in the implementation phase, which leads to delays in the process. However, the delays bring greater space for open dialogue and teamwork, which helps to develop the new systems in a more advanced way. That can be beneficial, especially since the new systems must be tailored to the BUs needs. Besides, having more time to analyse gives the leaders the opportunity to correct the errors that were not fully anticipated before. There can be also a positive side in the frustrator barrier of dissatisfied top managers of the organization. The presence of this barrier can push the leaders to deliver quality results in order to legitimize the project in the organization.

## **6. Conclusion and Future Research**

The aim of this study was to answer the following research questions:

1. What are the advancing forces and barriers of change in the studied Business Unit (BU) at the initial phase of Beyond Budgeting implementation?
2. What is the role of culture and leaders in the process of implementing Beyond Budgeting?

The answer to the first question contributes to Kasurinen (2002) MAC model by studying how the model functions in the situation of Beyond Budgeting implementation. We found that in our studied Company, the most important advancing forces were the culture of the Company and the factor of leaders. Other important forces were the Industry trends with the increased need for flexibility and more transparent information, the appointment of the Director of the BU and the Director Business Controller and the Big Data technology already used in the firm. All of these factors made it possible for the BU to constantly adapt to new changes and to the customer's needs. Therefore, the new PSI was developed to improve the efficiency by increasing the value creation of the BU and the cross functionality between the areas. On the other hand, the most relevant barriers identified were the lack of tools during the first step of the implementation, the technological problems, the BU's and the Company's conflicting orders and the expected arrival of a new Director of the BU. Consequently, we perceived that if the BU does not manage to have a good understanding and control of the situation the project could be in risk. However, the barriers can benefit the implementation, since they not only represent risks but also opportunities to improve.

In answering the second question, we have contributed to Kasurinen (2002) MAC model by finding that the culture of BU and the leaders played a critical role during this period of change.

Firstly, the BU's culture of teamwork, cooperation and communication was no longer in alliance with the MA practices. That is because the culture of BU is more decentralized, as opposed to traditional budgets, which serve as a hierarchical tool (Lane, 2015). The culture encouraged the MA to change towards systems, which enable empowering the lower levers of leaders and which promotes cross-functional teamwork. This way of working cannot be achieved by using traditional budget (Hope and Fraser, 2003). Secondly, the emphasis on communication among leaders helped to reduce the amount of fear and uncertainty that was generated due to the change. Even though this change was not as smooth as it was expected, the leaders at all levers supported the change and believed in the purpose of it. The factor of leaders worked mainly as an advancing force, helping to advance the change. However, there was also a risk that they can hinder the change if they do not support it, which is not reflected in Kasurinen (2002) MAC model. Thirdly, it was found that the interplay between culture and leaders is essential in the context of MAC. The culture that leaders share needs to be in alliance with the implemented changes, otherwise the leaders will act as a barrier towards change. In our case study, the change to PSI was in alliance with leader's values and convictions, therefore they acted as a strong advancing force. Fourthly, culture was found out in the different factors of the model, not only as a frustrator or as a facilitator like Kasurinen (2002) and Lämsiluoto and Järvenpää (2010) had previously categorized it. The culture was also found as a motivator due to the Company's support to decentralization and accountability of lower levels, and as a catalyst because of the Directors' cultural background. In addition, it was identified how the culture can reduce or overcome some of the barriers. As an example, after the first quarter results the Company have managed to reduce their costs, even though there were no tools in place in order to track their costs and expenses. Meaning, that the culture of savings, trust and fairness was already embedded in the BU.

The analysis of these two main questions brought new findings, which led to the modifications to Kasurinen (2002) MAC model. First, by incorporating leaders as hindering force, since they can act both as an advancing and hindering force of change. Second, by integrating the culture as the underlying base of MAC, because of its underlying influence on the factors in the model. These modifications can help other researchers to study MAC with a greater emphasis given on leaders and culture's role.

Future research can help to evaluate the role of culture within Kasurinen (2002) MAC Model in the context of different MA practices, which would help to broaden the overall understanding of MAC. In addition, it would be valuable to study MAC in different cultural settings. For

example, it would be beneficial to see what effect will culture have on the factors in the model in case that the culture is not in alliance with the implemented changes. Further, more research is needed to analyse the role of culture in transition to Beyond Budgeting. Since this study was situated at the beginning of implementation process, more research is needed in order to evaluate the role of culture in the whole cycle of MAC. Then not only the potential of culture can be studied, but also the effect that culture had on success or failure of the Beyond Budgeting implementation.

# Appendix

## Questions for Interviews

### 1. Director of the BU

1. *Previous budget and reasons for change*
  - a. What was your opinion about the previous budgeting process?
  - b. Why did you think the change was needed?
  - c. What made you agree with the change of the budgeting system?
  - d. What are your expectations from abandoning the budgets?
  - e. Why do you think abandoning the budget is beneficial for this BU?
2. *Changes in work*
  - a. Has the new initiative already changed your work as a Director?
  - b. What have changed in the way you work? Do you have some new responsibilities?
  - c. How do you think that this new way of steering will affect your work in the future?
3. *Risks*
  - a. What kind of risks do you perceive with this type of steering?
  - b. What if abandoning the budgets does not work as planned? Do you have some back-up plan?
  - c. Have you considered that leaders might increase their pressure on their employees in order to gain better results?
  - d. How will this new way of steering support long-term planning? Huge investments might decrease the immediate results for a while.
4. *Planning*
  - a. In case of resources distribution when projects are prioritized. What would you do if leaders become too competitive and start fighting over the resources? They might also make deals between each other to negotiate with the resources.
  - b. Based on what are you going to decide which are the projects that will be prioritized each quarter?
  - c. How does prioritization of projects work/will work?
  - d. Let's say that after the prioritization of projects is done, some leaders might be disappointed because their projects were not chosen. How will you deal with this situation?
5. *Leaders*
  - a. How would you describe your working relationship with the leaders of your BU?
  - b. How would you describe your leadership style?
  - c. Do you think the leaders are prepared for working with this new way of steering? Why?
  - d. What do you expect from leaders in this steering initiative?
  - e. What do you mean by accountability of the leaders?

- f. How do you motivate the leaders to be more accountable?
  - g. What are the biggest challenges for leaders in this new way of working? How are you planning to overcome them?
  - h. How are you planning to encourage the leaders to improve their leadership?
  - i. In order to be more financially accountable of their own actions, how are you planning to improve the leaders' financial skills?
  - j. Do you plan to motivate the leaders with rewards?
  - k. Based on your discussions with the leaders, how do you think that they perceive the change?
6. *Company*
- a. Do you think that the rest of the organization is prepared for abandoning the budget?
  - b. This division came the farthest with abandoning the budgets, right? Do other BUs also plan to get rid of the budgets? Is this division developing the new way of steering so other BUs can follow?
  - c. Do you remember if the Company has worked without budgets before?
7. *Strategy and top management*
- a. How does this new way of steering fits into the overall strategy of the firm?
  - b. How do the top levels of the Company perceive the change?
  - c. What will happen in case the division will not achieve the Company's targets?

## **2. Director Business Controller**

1. *Transformation and its connection to the whole Company*
  - a. Why do you think the BU is prepared for this type of transformation?
  - b. Even though the BU is going to work without a budget, do you have an overall profit or an investment target on the Company's level that you need to achieve?
  - c. How are the resources for the Company's divisions redistributed?
2. *Targets and KPIs*
  - a. Who decides or sets the targets?
  - b. Last time you talk about the KPI that will measure the efficiency.
    - i. However, what other kind of KPIs or targets does the BU have?
    - ii. Do you analyse also relationships between them?
    - iii. How do you track customer satisfaction and customer profitability?
    - iv. How do you measure value-added to customers?
  - c. Who decides which KPIs are the most suitable ones?
  - d. How do you know, which level of relative change of the main target do you want to achieve?
  - e. Have you considered benchmarking not only to previous year, but also maybe to internal peers or external benchmarks?
  - f. What will happen, if there is a crisis? Will previous year still be a good benchmark?
  - g. Do you have an early warning system?
3. *Investments*
  - a. Do you already know, how is prioritization of projects made?
  - b. What will happen, if employees use a significant amount of money? Do they need some permission for it, or will they just consult their superiors?
  - c. How will this system support long-term planning? Huge investments might worsen the immediate results for a while. Isn't it too short-term oriented to have such immediate follow ups?
  - d. How would you encourage underperforming teams? Can they be reluctant to further invest?
4. *Power BI*
  - a. Who is in charge of reporting the results?
  - b. Is everybody already working with Power BI?
  - c. Did you choose the graphs that people should be tracking or they can add as many as they want?
  - d. Does this allow other departments or projects to see what the others are doing so they can learn from others?
  - e. How do you connect the no budget transformation with the systems already in place, as ERP?
  - f. Where does Power BI takes the information from? Is it from the ERP system?
5. *Forecasts*
  - a. How do you calculate the forecast?
  - b. When is the forecast going to be calculated?

- c. Is the forecast going to be in detailed or only specific items?
  - d. Who is going to be in charge of doing it?
6. *Decentralization*
- a. How are you planning to encourage people to take up their accountability?
7. *Background information*
- a. Do you cooperate with Beyond Budgeting Round Table?
  - b. What makes your new way of steering different from Beyond Budgeting?
  - c. Do you know if there could be a problem with the banks or the rating companies when they realise that you will not work with a budget?



### 3. Human Resources Manager

#### 1. Rewards

- a. Do you have a reward system in place?
- b. What type of reward system do you have?
- c. Yes, monetary:
  - i. How is it calculated?
  - ii. Is everybody able to track their performance or they know until the end of the period?
- d. Yes, non-monetary:
  - i. What are they?
  - ii. How is a recognition of a success shown?

#### 2. Evaluation

- a. Based on which measures are employees evaluated?
- b. Is the evaluation per teams or individual?

#### 3. Change in budgeting and effect on leaders

- a. Do you think that people are prepared for working without budgets?
- b. Why do you think so?
- c. How do you understand accountability?
- d. Do you think leaders are willing to embrace this accountability?
- e. How do you perceive people's opinions about this change?
- f. Do you think they are going to be able to work with more tasks due to this change?
- g. What is being done so employees are not afraid of the changes?
- h. How are you planning to motivate people to work efficiently with the changes?
- i. Do you think the reward (if there is one) should be adapted to this new change and how?
- j. How is the Company motivating people to work not only for their own benefit, but also for the Company as a whole?
- k. How do you support this change from your HR position?
- l. Have your work changed as a result of the new initiative?
- m. What are your new responsibilities?

#### 4. Trainings

- a. Has this change required new trainings for employees?
- b. Are you adding new trainings or workshops that help leaders to manage more responsibly?

#### 5. Turnover of employees

- a. What is the average turnover of employees? And employees in leading positions?
- b. Why do you think it is like this?

#### 6. Motivation and Culture

- a. What keeps people motivated?
- b. How would you describe the organizational culture?
  - i. What is unique about it?

- ii. Do employees perceive the organization as fair?
- iii. What kind of complains do you receive the most from the employees?
- iv. What kind of complains do you receive from leaders?
- v. Why do you think they have those complains?
- vi. How do you solve them?
- vii. How loyalty of the employees is achieved and strengthen?

7. *Communication*

- a. How would you generally describe relationships between the employees and their superiors?
- b. How are the strategies and new processes communicated among the organization?
- c. How you make sure that the idea was clearly understood by everybody?
- d. How do you improve communication in teams?

## 4. Business Controller

### 1. *Changes in the work*

- a. Can you briefly describe to us what are your main responsibilities?
- b. Have you noticed some changes in the way you work after abandoning the budgets?
- c. What aspects of your work has changed?
- d. Do you have some new responsibilities? Which ones?
- e. Have you participated in deciding on the new targets?
- f. Who is in charge of calculating the result of the monthly or quarterly KPI?
- g. What kind of reports do you do?
- h. How the reporting changed due to the implementation of the new PSI?
- i. Do you expect other changes in reporting in the future?
- j. Are you helping to create the graphs in Power BI?

### 2. *Providing advice*

- a. What are the topics which you discuss the most with the employees?
- b. What are the main problems that leaders ask you about?
- c. Are all levels of leaders aware of the results?
- d. Do they understand what the figures means?
- e. How are you planning to work with the leaders so you make sure that they understand the KPIs and its financial consequences?
- f. Do you feel like now you are required more to provide advice?

### 3. *Thoughts and perceptions*

- a. What do you think about the change?
- b. Why do you think the organization is ready for this change in the budgeting planning?
- c. What is the perspective of the leaders about this new process?
- d. Since now you don't work with the budgets, what do you think about the change in planning?
- e. What do you think are the strengths of this new way of steering?
- f. What do you think are the opportunities for the Company with the new ways of steering?
- g. And opportunities for your work?
- h. Which are the challenges that you find with this new way of working?
- i. What are the main challenges that leaders are facing?
- j. How are you planning to overcome these challenges?
- k. Which risks do you see in working without budgets?
- l. How are you planning to deal with them?

### 4. *Power BI*

- a. For what purpose do you use right now Power BI?

## 5. Leaders

### 1. *Perspectives of the change*

- a. What do you think about the previous budgeting system?
- b. What do you think about the new way of steering?
- c. Were there any problems with the previous budgeting system?
- d. If yes, do you think PSI is a good solution for those problems?
- e. What do you think are the opportunities in your area with the new way of steering?
- f. Which risks do you see in working without budgets?
- g. How do you feel about working without a specific budget?
- h. How do you feel now that some financial tracking activities are delegated to you?
- i. Do you feel like you understand the new process of steering sufficiently?
- j. Do you feel like you understand how should you work now without the budgets? Or are there still some issues which are unclear?
- k. If not, what do you think could be helpful for you?
- l. Do you feel that your superiors listen to your concerns?
- m. How do your colleagues feel about the change in steering?
- n. Would you like to have some additional workshops or courses to help you perform better? For example?

### 2. *New way of working*

- a. How did your work change?
- b. Which new responsibilities do you have?
- c. Which new responsibilities do you think you will have in the coming future due to this change?
- d. What are the main challenges that you are facing due to this new change?
- e. How are you planning to overcome these challenges?
- f. Have you already encountered some challenges/problems?
- g. How did you solve them?
- h. Do you use last year's budget/results as a benchmark? How do you use them?
- i. Do you have some action plans? How do they look like?
- j. How do you plan and control your costs?

### 3. *Prioritization of projects*

- a. We have heard about that there was a meeting for project prioritization. How did you prepare for the meeting?
- b. Did you use Power BI for the preparation?
- c. How did you argue for the prioritization of your projects?
- d. What was the result?
- e. How do you feel with the result?
- f. Do you plan to argue for these investments in the future?
- g. Are you thinking about some new projects?
- h. After experiencing a Quarterly Planning Meeting, will you change the way of how to prepare for the future meetings? What have you learnt?

- i. If you want to add expenses. What will you do?
- j. Do you need someone to approve it?
- k. Have you already added or subtracted some costs this year?
- l. Do you have frames for expenses?
- m. Have you already made some investments in this year? Or do you plan to argue for some in the future?
- n. Did it happen, that previously your investment was not approved? What was your perception of the process?
- o. Do you think that this can change with the new way of prioritizing?

4. *Rewards and motivations*

- a. How is your supervisor measuring your efficiency?
- b. How do you expected to be rewarded for a good result?
- c. What motivates you to work for the common goal?
- d. What will happen, if you make a mistake?
- e. Have the organization already provided you with your KPIs?
- f. Do you feel that you understand the KPIs fully?
- g. If not, what do you think can help you to understand them better?

5. *Communication*

- a. Who would you contact when you need advice?
- b. Who is your contact from finance?
- c. How much are you in contact with them?
- d. How do you contact them?
- e. What are your main questions to Controllers?
- f. What do you ask the most to your supervisors?
- g. How are the relationships between different areas in the division?
- h. Do you exchange ideas about improving efficiency with other leaders?
- i. Do you discuss your strategies or projects with other leaders?
- j. How do you cooperate with other leaders? Do you discuss with them your decisions considering the new way of steering?

## **6. Director Business Controller - 2nd round**

### *1. Results*

- a. How were the results from the first quarter?
- b. Are the tools already in place or are they still in process?
- c. Did people overspend without a budget?
- d. Do you feel that the leaders now have a better understanding of the PSI?
- e. Do you feel that the leaders have already taken more responsibilities, even though they did not have Power BI and KPIs finalized?
- f. Some people mentioned the problems with the quality of the data. How are you dealing with this?

### *2. Delays*

- a. What are the main issues that are delaying the process?

## **7. Director of the BU - 2nd round**

### *1. Results comparison*

- a. How were the results from the first quarter?
- b. How were the people working during the first quarter, since they did not have the budget and they could not work with the new tools? Did it affect the results?
- c. How do you feel the PSI will continue?

### *2. First Quarterly Planning Meeting*

- a. How was your perspective of the first Quarterly Planning Meeting?
- b. How were the managers prepared for this meeting? Were they prepared to discuss or back-up their claims for resources?
- c. What was the atmosphere in the room? How were the groups discussing?
- d. Do you think that due to the Quarterly Planning Meeting, your different departments now have a better understanding about how they influence each other?
- e. Do you think that some areas could be in disadvantage, because they did not receive as much training in PSI as other areas?

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