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LOOSE COUPLING IN A BEYOND BUDGETING IMPLEMENTATION: A CASE STUDY

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BIBLIOGRAPHIC NOTE

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ABSTRACT ENGLISH

This case study addresses a puzzle encountered while researching a large Portuguese company which started a still on-going adoption of the Beyond Budgeting approach four years ago. It was apparent that the adoption of several principles of Beyond Budgeting was uneven across the company at the time of the research, in particular across different hierarchical levels. This uneven adoption formed a loosely coupled system, which can be explained by two different factors: the anticipated resistance in the lower levels and the strong hierarchies within the organization. The dissertation discusses how the coexistence of change and stability and the inherent creation of a loosely coupled system were key to enable a long-term, gradual change process to be triggered. In particular, the paper discusses how, by first introducing and gaining acceptance of Beyond Budgeting principles only at the upper management levels, implementation difficulties and tensions at other organizational levels have been avoided and how more favorable conditions have been created for a future implementation in the remaining parts of the company.

Keywords: Management Control, Traditional Budgets, Beyond Budgeting, Management Accounting Change, Loose Coupling, Loosely Coupled Systems
JEL-Codes: M40, M41

ABSTRACT PORTUGUESE

O presente caso de estudo explora o desafio encontrado numa empresa portuguesa de grande dimensão, na qual o Beyond Budgeting tem sido implementado ao longo dos últimos quatro anos. Com o desenvolver do estudo do caso, tornou-se evidente que a implementação dos princípios de Beyond Budgeting estava a ser díspar ao longo de toda a organização, principalmente nos diferentes níveis hierárquicos. Esta disparidade gerou um loosely coupled system, que pode ser explicado por dois fatores: a forte hierarquia existente e a resistência esperada por parte dos níveis hierárquicos mais baixos. Esta dissertação analisa como a coexistência de mudança e estabilidade, e a consequente criação de um loosely coupled system, foram determinantes para gerar um processo de mudança gradual no longo prazo. Em particular, este artigo examina como a introdução e aprovação dos princípios de Beyond Budgeting nos níveis superiores da hierarquia preveniu significativamente a existência de problemas de implementação nos níveis inferiores, criando condições favoráveis à sua futura adoção pelas restantes partes da empresa.

Palavras-chave: Controlo de Gestão, Orçamentos Tradicionais, Beyond Budgeting, Contabilidade de Gestão, Loose Coupling, Loosely Coupled Systems

JEL-Codes: M40, M41

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1 INTRODUCTION

Implementing a new management control concept may imply radical and long-lasting changes within an organization. Beyond Budgeting is one of such concepts (Heupel and Schmitz, 2015). It is one of the most recent advances in the management control area and the literature still lacks studies examining the long-term process and consequences of an implementation of Beyond Budgeting. The understanding about the progress can only be obtained in a case analyzed several years after the implementation of the Beyond Budgeting concept has been initiated, which is very difficult to be accomplished considering the relatively small number of companies currently using the concept – both internationally, and particularly in Portugal.

Nors, a Portuguese automobile distribution company, was the first organization in the Iberian economies to start implementing the Beyond Budgeting concept in 2012 and two master dissertations have already been written about the process of implementation, though obviously only addressing its initial stages (Fonte, 2013, Silva, 2015). Thus, the Nors case provides a perfect basis for an in-depth follow-up case study on how the new model was implemented. Furthermore, exploring this initial research goal allowed insights on how the implementation was based on the decoupling of an entire hierarchy within the system. Therefore, the main purpose of the research became to analyze the role of loose coupling in an implementation of the Beyond Budgeting concept at Nors. With the contribution of Lukka (2007), loose coupling between rules and routines had become a prominent topic in management control research. However, no specific research attention has yet been given to loose coupling within the context of Beyond Budgeting.

From a theoretical perspective, this study fills an existing research gap regarding case studies on the long-term consequences of Beyond Budgeting implementations. Moreover, this study contributes to the literature by describing how the implementation of Beyond Budgeting within only a part of the organization, adopting a loosely coupled configuration, facilitated the future implementation process in remaining parts of the company and avoided potential internal difficulties. To accomplish that, the study draws on findings from different theories, such as Beyond Budgeting literature, the notion of loose coupling and the institutional view on management accounting change.

From a practical perspective, the research assists the case company by creating awareness about the implementation status of the Beyond Budgeting model and supports the ongoing implementation process by providing inputs for future decisions. Furthermore, other companies can benefit from the information provided by adopting successful approaches and avoiding or anticipating problems that may arise during Beyond Budgeting implementation in their organization.

The work is structured in five chapters. It starts out with this short introduction on the dissertation topic. It then proceeds with a literature review about traditional budgeting systems and the development of alternatives, such as the Better Budgeting and the Beyond Budgeting concepts. After that, the recent literature on the institutional view on management accounting change and the theoretical concept of loose coupling are revised. Before presenting the empirical analysis, the methodology used for analysis is described, which was based on the case study method. The main findings of the analysis are then presented, followed by a discussion of the findings. The work is completed with a conclusion, limitations and indications for further research.

2 LITERATURE REVIEW

This chapter gives an overview of the recent literature on management control and management accounting and control change. The first section presents traditional budgeting, better budgeting approaches and the Beyond Budgeting. The second section discusses the institutional view on management accounting and control change and the notions of inertia and of loose coupling.

2.1 MANAGEMENT CONTROL

The classic definition of management control was given by Anthony (1965) as:

“The process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives” (Anthony, 1965:27, quoted from Otley et al., 1995:32).

Anthony describes management control as the direct link between strategic planning and operational control. Global and long-term oriented goals are broken down into shorter term oriented sub-goals and management control ensures that the day-to-day operations are coordinated to achieve the previously set measures. In addition to this planning function, management control ensures the monitoring of the actual achievements and provides feedback (Otley et al., 1995). In a more comprehensive approach, Lowe (1971) defines management control as:

“A system of organizational information seeking and gathering, accountability and feedback designed to ensure that the enterprise adapts to changes in its substantive environment and that the work behaviour of its employees is measured by reference to a set of operational sub-goals (which conform with overall objectives) so that the discrepancy between the two can be reconciled and corrected for.” (Lowe, 1971:5, quoted from Otley et al., 1995:32)

Lowe’s definition sees the management control system as a broader set of control mechanisms, but nevertheless, such as Anthony, it still focuses on sub-goals which reflect the idea of traditional budgets. More recently, management control systems have become more strategic in nature and many new approaches for management control systems, such as better budgeting and Beyond Budgeting have emerged. This chapter presents the

traditional budgeting concept, better budgeting approaches and the Beyond Budgeting concept.

2.1.1 TRADITIONAL BUDGETING

Traditional budgeting practices, in the sense of forecasting spending of a certain good and trying not to overpass this goal, have been known and used by human societies for a long time. Already the first human civilizations made use of this concept to allocate rare resources, such as wheat (Heupel and Schmitz, 2015). Since the 1920s, budgeting practices gained more and more importance in the business environment and budgeting is nowadays regarded as “the cornerstone of the management control process in nearly all organizations” (Hansen et al., 2003:95) and most organizations do not plan to abandon it (Libby and Lindsay, 2010).

2.1.1.1 Definition

Horngren et al. (2012) define budgeting as

“(a) the quantitative expression of a proposed plan of action by management for a specific period and (b) an aid to coordinate what needs to be done to implement that plan. A budget generally includes both financial and nonfinancial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period.” (Horngren et al., 2012:206)

After having initially been exclusively used as a planning tool, companies quickly adopted the concept for broader purposes, such as to control and evaluate their employees (Heupel and Schmitz, 2015). According to Horváth and Sauter (2004), the traditional corporate budget was designed to serve three main purposes: (1) coordinate the organization’s financial activities; (2) communicate financial expectations and (3) motivate managers to act in the company’s interest. Furthermore, it is a common accounting tool, which is supposed to support management in successfully implementing its strategy and plan as well as to control its operational measures (Rickards, 2006). The majority of budgets is expressed in financial terms and the performance to be realized in the future is compared and measured against it. Thus, a budget depicts a translation of long-term strategic objectives into short-term actions (Waal et al., 2011).

Bhimani et al. (2013) further extend the main purposes stated by Horváth and Sauter (2004) by describing the communication aspect of budgets as a “two-way communication channel”. While the upper levels use budgets to inform the lower levels about their strategies and expectations, the lower levels of the organization communicate information about capabilities and opportunities upwards. Nonetheless, this two-way communication channel is only possible in organizations making use of an iterative approach of budget setting, which is explained next.

There are three different approaches of defining budgets, namely the top-down, bottom-up and the iterative approach. The top-down budget describes a budget that is imposed from the upper levels of the management, with little or no participation by lower-level managers. In a bottom-up budget, the lower-level managers receive up to almost full responsibility for the budget that is set in their responsibility center. Iterative budget setting, also called self-imposed or participative budget setting, refers a budget prepared with full cooperation and participation of lower-, middle-, and top-managers (Garrison et al., 2009, Otley et al., 2013).

Iterative budget setting is often considered the most successful and effective way to prepare budgets. First, managers of all levels of the organization feel recognized as members of the team and the fact that their views and judgements are valued by the top-management motivates them to strive for more commitment and engagement. Secondly, the budgets set by lower-level managers are often more precise, because of the intimate knowledge of markets and day-to-day operations and, thirdly, when participating in budget setting, lower-level managers do not have excuses for not being able to meet the budget, since it was created upon their approval (Garrison et al., 2009).

There are several different types of budgets in a company, which can be added up to a master budget, such as the sales budget, the production budget, or the direct labor budget. The sales budget, which is set based on the company’s sales forecast, is considered the most important one, since it is key to the entire budgeting process (Garrison et al., 2009).

According to Neely et al. (2003), budgets need to, first, “be aligned with the organization’s strategies, with appropriate strategic planning and performance management processes introduced” and, second, “involve processes that are value-based, consequential and continuous” (Neely et al., 2003:23). If used correctly, budgeting can

be an effective and useful tool in management control and provide many advantages (Libby and Lindsay, 2010), as discussed next.

2.1.1.2 Advantages of Traditional Budgeting

“I believe that budgeting provides managers with a wonderful opportunity to rejuvenate their organizations. There is no other managerial process I am aware of that translates qualitative mission statements and corporate strategies into action plans, links the short term with the long term, brings together managers from different hierarchical levels and from different functional areas, and at the same time provides continuity by the sheer regularity of the process.” (Umapathy, 1987:xxii, quoted from Libby and Lindsay, 2010:56)

According to the revised literature, there are five main advantages of traditional budgeting. First, the process of budget setting compels managers to actually think about the long-term strategy of the company, ask “what-if” questions, and devote time to planning upfront instead of dealing with day-to-day operations and upcoming problems on a very short-term basis. To prepare budgets, a manager needs to establish long-term objectives and develop a strategy for their achievement. The absence of these objectives leads to a loss of direction and to the inability to foresee upcoming changes and problems (Bhimani et al., 2013, Waal et al., 2011). Second, budgeting provides managers with the opportunity to reevaluate the current activities and methods of the company and to think about possible modifications, discontinuations or the introduction of new activities (Bhimani et al., 2013). Third, traditional budgets foster communication within the subunits of a company and the coordination of the all organization’s activities. For example, production managers might estimate the demand of production personnel and facilities considering the sales budget and delivery schedule developed by the sales manager. Accordingly, the purchasing manager integrates the demand of purchases with the estimated production requirements, and the financial manager uses the planned expenditures to anticipate the organization’s need for cash. Hence, managers are forced to think about relationships between the different departments as well as between the company and its supply chain partners. The fourth advantage of traditional budgets is their ability to provide a framework for performance evaluation. Budgets allow managers to compare the actual results of the company with predicted performance, that

incorporates changes in the business environment and general circumstances, instead of measuring against historical performance. Companies are, thus, provided with a better basis for evaluating results (Horngren et al., 2012, Bhimani et al., 2013). Last but not least, setting budgets can also motivate employees and improve performance significantly. Falling short of a budget is generally considered as a failure and most employees start to work harder to achieve the initially planned target. Therefore, budgets for motivational reasons should be demanding and achievable, since demand increases performance but unachievable goals only create anxiety and do not trigger improvement (Horngren et al., 2012).

2.1.1.3 Weaknesses of Traditional Budgeting

“Not to beat around the bush, but the budgeting process at most companies has to be the most ineffective practice in management. It sucks the energy, time, fun and big dreams out of an organization. It hides opportunity and stunts growth. It brings out the most unproductive behaviors in an organization, from sandbagging to settling for mediocrity. In fact, when most companies win, it is in spite of their budgets, not because of them.” (Welch, 2005:189, quoted from Libby and Lindsay, 2010:56)

Despite of the many advantages of traditional budgeting presented above, criticism has increased in recent years. According to Daum and Hope (2004), the need for budgets as a system of control rose due to the growing size of businesses, which reduced the viability of relying on trust as a control mechanism to ensure that the staff acted in the best interest of the company. As a consequence, budgets were introduced to control employees. As trust is much more efficient than budgets in maintaining organizational values and correct employees' behavior, dysfunctional actions began to appear. Today, many researchers see the control aspect of budgeting as a limitation, rather than an improvement in modern and forward-thinking organizations (Daum and Hope, 2004, Heupel and Schmitz, 2015).

The first findings about dysfunctional behaviors caused by budgetary controls were already published in 1953 by the American business theorist Chris Argyris. In a study conducted in three small manufacturing plants, he analyzed the effects of budgetary pressure on employees and found that top-down budgeting causes serious problems, such

as the lack of communication between departments, budget gaming, and data manipulation (Argyris, 1953, Heupel and Schmitz, 2015).

Nowadays, the most cited weaknesses of traditional budgeting can be found in Neely et al. (2001), based on an extensive review of academic and practitioner literature. These weaknesses are considered to lead to business underperformance. Neely et al. (2003) divide the weaknesses in three main categories: competitive strategy, business process, and organizational capability. The following table presents a summary of the weaknesses of traditional budgeting, adapted and extended from Neely et al. (2003) (additional weaknesses recognized by other authors are identified with (*) and the column on the right was added to refer further authors analyzing each weakness). The remaining part of the chapter is structured according to the table.

Category	Weaknesses	Authors*
Competitive Strategy	Budgets are rarely strategically focused and are often contradictory.	Neely et al. (2001), Neely et al. (2003), Horváth and Sauter (2004), Waal et al. (2011)
	Multiple purposes of a budgets can contradict each other.*	Østergren and Stensaker (2011), Otley et al. (2013)
	Budgets concentrate on cost reduction and not on value creation.	Neely et al. (2003), Horváth and Sauter (2004), Waal et al. (2011)
	Budgets constrain responsiveness and flexibility and are often a barrier to change.	Neely et al. (2003), Hope and Fraser (2003a), Hope and Fraser (2003b), Player (2003)
	Budgets add little value – they tend to be bureaucratic and discourage creative thinking.	Neely et al. (2001), Neely et al. (2003)
Business Process	Budgets are time consuming and costly to put together.	Neely et al. (2003), Player (2003), Waal et al. (2011)
	Budgets are developed and updated too infrequently.	Neely et al. (2001), Neely et al. (2003)
	Budgets are based on unsupported assumptions and guesswork.	Wallander (1999), Neely et al. (2003)

	Budgets encourage gaming and perverse (dysfunctional) behavior.	Argyris (1953), Neely et al. (2003), Horváth and Sauter (2004), Bartram (2006)
	Budgets are not fully accepted and employees do not feel responsible.*	Bhimani et al. (2013)
Organizational Capability	Budgets strengthen vertical command and control.	Neely et al. (2001), Neely et al. (2003)
	Budgets do not reflect the emerging network structure that organizations are adopting.	Neely et al. (2001), Neely et al. (2003), Hope and Fraser (2003b), Goode and Malik (2011)
	Budgets establish a “comfort zone”.*	Bourmistrov and Kaarbøe (2013)
	Budgets reinforce departmental barriers rather than encourage knowledge sharing.	Neely et al. (2001), Neely et al. (2003), Hope and Fraser (2003b)
	Budgets make people feel undervalued.	Neely et al. (2001), Neely et al. (2003)

Table 1: Significant Weaknesses of Traditional Budgeting

Competitive Strategy

The first five weaknesses of traditional planning and budgeting practices concern the competitive strategy of the business. First, budgets are rarely strategically focused and often contradict the corporate strategy. As budgets are typically set for a short timeframe, usually quarterly or annually, they do not represent the “big picture” of a healthy organization in the long-term (Neely et al., 2001). Instead of beating the competition and satisfying customers, employees are concentrated on accomplishing short-term internal, and mostly financial budgets and lose sight of the underlying strategy (Waal et al., 2011, Horváth and Sauter, 2004).

Second, as above mentioned, traditional budgets are designed to serve multiple purposes. This is, on the one hand, one of the major advantages of budgeting, since it provides the company with a framework to plan and control. On the other hand, it can also be a weakness. While the forecasting function needs the most accurate numbers possible to conduct proper financial planning, targets for managers are often set after several rounds

of negotiations and are influenced by upper- and lower-level managers' interests. Uniting different purposes in just one single number can lead to the decrease in quality of one or even several of the budget's purposes (Østergren and Stensaker, 2011, Otley et al., 2013).

Moreover, budgets concentrate on cost reduction rather than on value creation. As mentioned above, the communication of financial expectations is one of the main purposes of traditional budgeting. Budgets do not only enable upper-level management to communicate expected revenues, but also expected cost savings to lower-level employees (Horváth and Sauter, 2004). Thus, managers are discouraged to make investments in projects that would create value according to the company's long-term strategy, but whose expenses are not foreseen in the budget set by the upper management (Waal et al., 2011).

Besides that, traditional budgets are considered to be barriers to change and to constrain responsiveness. As cited in Hope and Fraser (2003a), Peter Senge, leading scientist in the area of learning organizations, describes the weakness as follows:

“Once we become convinced that we must achieve a certain outcome, our universe collapses and we see everything through the narrow lens of the predetermined outcome. Our awareness diminishes. Our ability to invent totally new ways of responding to new challenges is lost. Fear of failure increases.” (Hope and Fraser, 2003a:106)

This weakness of traditional planning and budgeting can, hence, be especially damaging in fast changing market environments that require constant reaction and response. It can also harm the company's ability to go through restructuring efforts, such as decentralization (Hope and Fraser, 2003b, Player, 2003). Lastly, traditional budgeting is regarded as a non-value added activity, since setting the budgets consumes a much greater amount of time of the management and the finance department, than is actually spent on value-generating analysis (Neely et al., 2001).

Business Process

The next five weaknesses of traditional budget setting are related to the business processes conducted within a company. First, setting budgets is very time consuming. Organizations state that ten to thirty percent of the management's time and more than fifty percent of the finance planning department's time is used for budget setting (Waal

et al., 2011, Player, 2003, Neely et al., 2003) and the budgeting process of negotiations, planning and target-setting takes on average four to five months (Player, 2003). This makes the process very costly.

Second, budgets are usually developed on an annual time horizon, which are then broken down into quarterly or monthly targets, and are updated very infrequently (usually remain unchanged in the one-year period). Due to unforeseeable circumstances the budget may thus already become obsolete during the first quarter of a year or even the first month (Neely et al., 2001).

Third, budgets are often based on unsupported assumptions and guesswork. According to Wallander (1999), the biggest mistake in setting budgets lies in the process of forecasting. As for him, there are two main types of forecasts. The first type is called “same weather”-forecast and is based on observed variables, that follow a steady pattern. To forecast a situation, one assumes that the variable will follow the same pattern in the future as it did in the past (e.g. steadily rising or decreasing), or that the variable will develop as it did in another country that is economically more developed. This forecast can be very accurate in a business environment with high economic stability. The second type of forecasts is called “level off”-forecast and occurs when one has the feeling to experience something abnormal and assumes that the situation will return to normal, i.e. that the curves will level off. In some cases, this forecast will prove to be right, but in others there will be a break in the curves, that no one could have expected beforehand. If the “same weather”-forecast is used for setting budgets, managers basically tell their employees to keep on working as they did before and ask them to try to improve their efficiency a bit. If the “level off”-forecast is used, managers use budgets to inform employees that the current development is going to level off and that the employees should return to normal. Both messages are very trite and neither one of the forecasts requires a complicated and costly process, such as budgeting. Wallander (1999) states that budgets would only be valuable if a forecast stated something totally new and groundbreaking and actually proved true. But since forecasts have somehow to be based on previous experiences, a budget showing a revolutionary departure from earlier trends would be nothing but pure guesswork and a portion of luck.

The fourth weakness in the business process category is the undeniable fact that traditional budgets can encourage dysfunctional behavior, also known as budget games. Since Argyris' (1953) pioneering work, many scholars have emphasized how traditional budgeting fails to motivate employees to act in the company's interest (Horváth and Sauter, 2004). Bartram (2006) divides the budget games in five areas. The first area, referred to as "the sky's the limit", induces managers to stretch the budget as far as possible to gain the largest possible flexibility in their activities. Second, "hey, big spender", encourages managers to spend the entire budget until year-end, to prevent it from being cut in the next period. Third, "cooking the books", relates to either the delay of revenues or costs to the next period, if the annual budget has already been met, or the forward-booking of revenues or costs, if the department is behind budget. Fourth, "bonus or bust", reflects the fact that in traditional budgeting systems managers often have a strong focus on measures that impact their own salary and ignore value-adding activities, whenever they do not lead to any personal monetary advantage. Fifth, "mine's bigger than yours", concerns the fact that having large budgets as a manager is commonly associated with having a greater power and a higher status within the company (Bartram, 2006).

A fifth weakness is the potential lack of acceptance within the employees. If the budget is not fully accepted by the employees, they might not take responsibility and hence may not strive to achieve it. Factors that influence the lack of acceptance are the perceived attitude of top management, the level of participation in the budgeting process and the degree of alignment between the budget and other performance goals (Bhimani et al., 2013).

Organizational Capability

The organizational capability category includes four weaknesses of the traditional budget setting. First of all, fixed budgets strengthen vertical command and control. Instead of encouraging and motivating employees to strive for the best of the company, employees are controlled from the upper levels and initiative is choked. This vertical network structure does not reflect the increasing efforts of businesses to decentralize and take advantages of partnerships and alliances, which represents the second weakness of this category (Neely et al., 2001). This weakness caused scholars to state that "the traditional

[budgeting] system lost relevance with the modern business environment and is no longer satisfying the needs of managers” (Goode and Malik, 2011:207) and that companies “have been unable to establish a new order because the budget and the command and control culture that it supports remain predominant” (Hope and Fraser, 2003b:108).

Moreover, traditional budgets are known as inflexible, detailed and annually focused. These characteristics lead to a centralized command and control environment and create a comfort zone, which impedes successful management in turbulent business settings (Bourmistrov and Kaarbøe, 2013). A fourth weakness in this category is the inability of budgets to encourage knowledge sharing. On the contrary, budgets reinforce departmental barriers, as everyone strives to achieve their own budgets and there is not much incentive to share information with other departments or colleagues (Hope and Fraser, 2003b, Neely et al., 2001).

Last but not least, budgets make employees feel undervalued, because instead of being empowered to find their own way of contributing to the achievement of strategic achievement, they are controlled strictly and lose motivation. This mostly holds for front line employees that do not get a say in the budgeting process, but have the greatest impact on customer satisfaction, since they personally represent the business (Neely et al., 2001).

2.1.2 BETTER BUDGETING

Due to the many weaknesses of traditional budgets, scientists started searching for changes in the 1960s. McGregor (1960) described the need for a “new way of controlling and evaluating employees” and presented his “Theory Y”, which is regarded as pioneering work. Several alternative management control systems or tools to improve the traditional budget evolved in the following years, mainly out of the interest to reduce costs and increase the relevance of budgeting (Player, 2003). This subsection presents these improvements of the traditional budgets, classified as “Better Budgeting”.

2.1.2.1 Zero Based Budgeting

The zero based budgeting approach became popular in the 1970s and 1980s. It aims to improve the traditional budgeting approach by starting the budget setting process from the scratch, with a blank sheet of paper (Player, 2003). Budgets are not based on the last year’s or period’s figures, but rather have to be re-justified during each business-cycle

and thus improve the accuracy of budget outputs. The value of this approach strongly depends on the volatility of the operating economy (it is simply unnecessary in stable environments) and it is even more time-consuming and costly than traditional budgeting (Neely et al., 2003).

2.1.2.2 Activity Based Budgeting

The activity based budgeting approach aims to improve the budgets' ability to support operational planning. It is based on the concept of activity based costing, which emerged in the 1980s and was later extended and formalized by Cooper and Kaplan in 1992. The activity based costing concept acknowledges that traditional costing systems cannot accurately measure the costs of resources needed for a product, because many of the resources used are not proportional to the volume of units produced and sold. To overcome this weakness, the concept tries to directly link the costs of organizational activities to customers and products (Cooper and Kaplan, 1992). Activity based budgeting makes use of this concept by generating a budget from an activity-based model of the organization. By doing this, the connection between the budget and the underlying operational model of the company is consolidated, the operational feasibility of the budgets is enhanced, and the budget's ability to serve as an effective planning tool improves. Traditional budgets are often generated by a very high and financial-oriented level of the organization and cannot be related to the actual business (Hansen et al., 2003).

The use of activity based budgeting has several advantages. First, it facilitates the understanding of budgets for lower-level managers and employees, who can rather relate to operational than to financial terms, and reinforces a more horizontal process view of the organization in contrast to the vertical view emphasized by traditional budgets. Second, it allows a better costing and decision making regarding products, processes or activities by integrating a broader range of cost drivers and, thus, highlighting sources of imbalances, inefficiencies, and bottlenecks. Furthermore, the approach can improve performance evaluation by better indicating responsibilities for cross-departmental activities and decrease budget games. The greatest shortcoming of activity based budgeting is the fact that, just like in zero based budgeting, the creation of a budget can consume even more resources than the development of a traditional budget (Hansen et al., 2003).

2.1.2.3 Value Based Management

Value based management is rather an alternative approach for managing shareholder value creation that an explicit replacement of the traditional budgeting process. The approach aims to link shareholder value and strategy with planning and budgeting by evaluating each expenditure plan in terms of the shareholder value it will create, and thus tries to overcome the weakness regarding the misconnection of strategy and budgets (Neely et al., 2001). However, the management approach is considered as highly conceptual without sufficient examples of practical applications (Neely et al., 2003).

2.1.2.4 Rolling Budgets and Forecasts

Rolling budgets and forecasts are the most common alternative for dealing with the complaints about the inflexibility and annual focus of traditional budgets. Being created on a monthly or quarterly basis, rolling forecasts are expected to be more up-to-date, flexible and dynamic and to increase the shareholder value (Ekholm and Wallin, 2000). In a rolling forecast the budgets for a specific time-period, usually between 12 and 18 months, are frequently updated and once a quarter or month ends, the current forecast is extended by one period. Hence, it forces managers to plan continuously throughout the year, is less detailed, increases the focus on the future and enables a faster reaction to unprecedented changes (Henttu-Aho and Järvinen, 2013). The Beyond Budgeting concept often makes use of this approach as one of its techniques (Sandalgaard and Bukh, 2014).

2.1.3 BEYOND BUDGETING

The Beyond Budgeting concept first emerged when Jeremy Hope and Robin Fraser, directors of the Beyond Budgeting Round Table (in the following BBRT), an international management research consortium, published a groundbreaking article called “Beyond Budgeting” in 2000. Before that, the idea for the concept had been discussed for several years, but had been called the “new organisational model” or the “emerging model” (Becker et al., 2010). This article, and another one published shortly after in 2003 called “Who Needs Budgets?”, highlight the weaknesses of traditional budgets and suggest the radical approach of entirely abolishing budgets in their traditional manner. It states that in the absence of budgets, “alternative goals and measures – some financial, such as cost-to-income ratios, and some non-financial, such as time to market – move to

the foreground” (Hope and Fraser, 2003b:109) and employees’ performance is no longer measured by using predetermined targets, but compared with peers’ and external benchmarks (Hope and Fraser, 2000, Hope and Fraser, 2003b). However, it is important to emphasize that despite the misleading name of the concept, financial managers continue to construct budgets under the Beyond Budgeting approach. The biggest change lies in the nature of the budgets, which are no longer stated in absolute terms and do not unify different functions (planning, target setting and resource allocation) in one single number (Hansen et al., 2003).

2.1.3.1 Definition

Since the introduction of the concept, it has constantly been developed and the definitions vary. But as definitions for the concept vary, the specific denomination of Beyond Budgeting also varies greatly. As for Player (2003), “Beyond Budgeting is a guiding set of principles. It is not a model or set of tools” (Player, 2003:8); however, other authors label Beyond Budgeting as a “concept” (Bourmistrov and Kaarbøe, 2013, Heupel and Schmitz, 2015), a ”model” (Goode and Malik, 2011, De Waal, 2005), an “approach” (Østergren and Stensaker, 2011, Heupel and Schmitz, 2015, Hansen et al., 2003), an “idea” (Goode and Malik, 2011, Heupel and Schmitz, 2015), or a “system” (Goode and Malik, 2011). Although some terms above are merely synonyms, other variations may have a substantive underlying difference, suggesting some puzzlement still embodied in Beyond Budgeting and revealing its early stage in development.

The best-known definition of Beyond Budgeting are the 12 guiding principles originally developed by the BBRT, which have developed over time. The BBRT persistently points out that the Beyond Budgeting principles should be used as a coherent management model and that a mix of old and new principles would lead to the failure of the concept (Hope and Fraser, 2013). The most recent version of these principles is divided into Leadership Principles and Management Processes and reads as follows (Bogsnes, 2016):

Leadership Principles:

- (1) Purpose - Engage and inspire people around bold and noble causes, not around short-term financial targets.
- (2) Values - Govern through shared values and sound judgment, not through detailed rules and regulations.

- (3) Transparency - Make information open for self-regulation, innovation, learning, and control; don't restrict it.
- (4) Organization - Cultivate a strong sense of belonging and organize around agile and accountable teams; avoid hierarchical controls and bureaucracy.
- (5) Autonomy - Trust people with freedom to act; don't punish everyone if someone should abuse it.
- (6) Customers - Connect everyone's work with customer needs; avoid conflicts of interest.

Management Processes:

- (7) Rhythm - Organize management processes dynamically around business rhythms and events, not around the calendar year only.
- (8) Targets - Set directional, ambitious, and relative goals; avoid fixed and cascaded targets.
- (9) Plans and forecasts - Make planning and forecasting lean and unbiased processes, not rigid and political exercises.
- (10) Resource allocation - Foster a cost-conscious mindset and make resources available as needed, not through detailed annual budget allocations.
- (11) Performance evaluation - Evaluate performance holistically and with peer feedback for learning and development, not based on measurement only and not for rewards only.
- (12) Rewards - Reward shared success against competition, not against fixed performance contracts.

In another approach for a definition, Player (2003) and Hansen (2011) both see the relative performance management as the main feature of Beyond Budgeting and indicate that the implementation is done in two stages: (1) implementation of more adaptive performance management processes and (2) a radical decentralization. The more adaptive performance management process is based on a relative performance contract instead on fixed targets. Thus, the emphasis shifts from internally negotiated short-term targets to external medium-term benchmarks. After this stage has been reached, the company will be able to radically decentralize the organization, which leads to more innovation, more

capable employees, more loyal customers, more ethical reporting and a better usage of management systems and tools (Player, 2003).

Østergren and Stensaker (2011) and Bourmistrov and Kaarbøe (2013) however do not solely focus on performance evaluation and decentralization, by defining Beyond Budgeting in a broader way as consisting of “similar activities as budgeting, such as target setting, forecasting and resource allocation, but no budget is allocated in advance and the processes are separated in time” (Østergren and Stensaker, 2011:153). They emphasize the fact that Beyond Budgeting is mostly a change in the mindset of managers when budget functions (forecasting, target setting and resource allocation) are unbundled, rather than a change in accounting techniques. Nevertheless, different techniques have been identified as a part of the Beyond Budgeting model, such as rolling forecasts, the creation of empowered teams, balanced scorecards, and relative performance evaluation (Sandalgaard and Bukh, 2014).

2.1.3.2 Advantages and Disadvantages of Beyond Budgeting

Despite its young age as a management control system, Beyond Budgeting has gained significant importance in recent years. Companies all over the world have started the process of implementation and some, such as Unilever and German Railways (Rickards, 2006) have already achieved great success applying the concept. The immediate advantages of Beyond Budgeting are the savings from not having to conduct a budgeting process of several months' length, the faster response time to changes in the business environment, more time for value-adding work for the finance team, a better strategic alignment of targets, measures and employee behavior, and, last but not least, the avoidance of dysfunctional effects, such as budget games. Additionally, Beyond Budgeting also offers several advantages in the long-term: due to the radical decentralization embodied in the concept, it promises permanent reductions in cost structure, more capable front-line employees, more loyal customers and more innovation (Player, 2003).

Nevertheless, it is not without criticism on its own. Without having a strict framework, such as the one previously provided by traditional budgets, it is said that companies can easily lose direction (Goode and Malik, 2011). The before mentioned “change in mindset” often goes along with a loss of control and, therefore, organizations struggle at

balancing the need for control (provided by traditional budgets) with the need for flexibility (provided by Beyond Budgeting principles). Consequently, the implementation of Beyond Budgeting cannot be considered as one universal approach which is applicable for all organizations, but rather needs to be adapted to the company's specific prerequisites and needs.

2.1.3.3 Implementation of Beyond Budgeting

The academic literature acknowledges the fact that the implementation of the Beyond Budgeting concept is not an easy task since it fundamentally changes the organizational structure and the managers' mindset (Østergren and Stensaker, 2011, Bourmistrov and Kaarbøe, 2013, Heupel and Schmitz, 2015). Several barriers to change have been identified and will be presented next.

First of all, there are technical obstacles. The change of the budgeting process can involve high costs for big companies, whereas the benefits of the change are difficult to be predicted and quantified, which might hinder managers to make the investment. As already mentioned, the traditional budget fulfilled three different functions in just one figure: the forecasting for planning purposes (long- and short-term), target setting for motivational as well as performance evaluation purposes, and resource allocation. By implementing Beyond Budgeting, the company does not only lose this "one figure", but needs to devise a new structure for all three functions. This further discourages managers to induce the change. Furthermore, employees often lack the knowledge that is needed for the change (Waal et al., 2011).

Second, there are also human and organizational barriers to change. Traditional budgets provide managers with the stability and routine of a comfort zone, since they are still seen as a major control mechanism. Top management often fears to lose power and control when stepping out of the comfort zone, so the implementation of Beyond Budgeting, which changes the requirements for managers, can easily cause refusal by the managers that are not able to fulfil these requirements (Waal et al., 2011, Bourmistrov and Kaarbøe, 2013, Heupel and Schmitz, 2015, Bogsnes, 2016). Moreover, top management might not see the implementation of a new budgeting concept as the top business priority, so resources for the change may not be made available. But not only top management can create barriers to change. On the part of the employees, one major obstacle is the ability

to show good performance without engaging in dysfunctional behavior. Due to many years of work with traditional budgets, employees are often so used to influence costs and revenues and reach targets stated in the performance contract by playing the budget, that they refuse change in order to keep their bonuses. Another obstacle on the part of employees can be found in the sphere of finance professionals that might fear to lose importance in the organization with the abolition of traditional budgets (Waal et al., 2011).

As a first step of implementation, De Waal (2005) suggests an entry scan to analyze whether the people in the organization recognize a failure of the current system and the need to change. The scan makes employees feel involved in the process and increases their willingness for change. This goes along with the findings of Heupel and Schmitz (2015), who state that employee participation has a strong positive effect on organizational justice, which in return builds trust. As dysfunctional effects are caused by pressure and distrust, trust is seen as one of the key success factors of putting Beyond Budgeting into practice. As already mentioned in 2.1.1.3, “Weaknesses of Traditional Budgeting”, the need for a traditional budget only rose due to the growing size of businesses and the thereby caused decreased reliability on trust as a control mechanism (Daum and Hope, 2004). Thus, an atmosphere of trust is considered one of the necessary requirements for the successful implementation of Beyond Budgeting.

The question on how to conduct the implementation of Beyond Budgeting is controversial, since every company has different prerequisites and needs. Wallander (1999) suggests to “stop budgeting at once and start to think about your problems afresh” (Wallander, 1999: 421), whereas Bogsnes (2016) approves an evolutionary approach, as long as each step points in the same direction, to the bigger picture. Bogsnes (2016) admits that each of the twelve Beyond Budgeting principles can be considered as a major project itself; nevertheless, one cannot simply choose from a few of the principles, combine them with old manners, and hope for the big change.

The academic literature so far only presents a few case studies on how Beyond Budgeting was implemented. Østergren and Stensaker (2011) describe a case on how target setting became more centralized, while action taking became more decentralized, when changing the management control system according to Beyond Budgeting ideas. Bourmistrov and

Kaarbøe (2013) present two cases in which target setting was unbundled from planning and resource allocation, which kept some form of budgetary planning to maintain control. The implementation process in these cases lasted several years and included different stages. Sandalgaard and Bukh (2014) portray a case of a Scandinavian agri-food cooperative, which implemented some of the 12 principles proposed by the BBRT, but decided to leave out others that did not fit well with the company's character. The main features of Beyond Budgeting implementation in the respective studies are presented in the following table.

Authors	Main Features of Implementation
Østergren and Stensaker (2011)	how target setting was centralized, while action was decentralized
Bourmistrov and Kaarbøe (2013)	how target setting was detached from planning and resource allocation in two case companies
Henttu-Aho and Järvinen (2013)	how a system for financial target setting was maintained in the process of abandoning budgets
Sandalgaard and Bukh (2014)	how companies implement Beyond Budgeting ideas but keep certain elements of traditional budgets (e.g. frozen forecast, fixed-cost budgets)

Table 2: Case Studies on Beyond Budgeting Implementation

As discussed, Beyond Budgeting is a management control system that requires significant change in the employees' mindset. Change in management accounting and control is a complex phenomenon, which has attracted significant attention by researchers, and will be the focus of the following section. Moreover, the notion of loose coupling will be presented.

2.2 MANAGEMENT ACCOUNTING AND CONTROL CHANGE AND LOOSE COUPLING

In recent years, researchers have debated about whether management accounting and control has changed, has not changed or should change. The discussion was sparked by the rapid changes in the environment, such as globalization, advances in technology or new management practices, which demanded the provided information for management

use to be more adapted to the external context (Burns and Vaivio, 2001). However, some streams of research focused on the outcomes of change (or the non-existence of the change), whereas others emphasized the importance of seeing change as a process, to find out *how* management accounting and control can (or cannot) change over time – a processual view, which is considered the most relevant for this dissertation.

This research deals with management control, which differs from management accounting, which was the focus of some early research. Nevertheless, since the institutional view on the two areas shows many similarities (mainly in terms of management accounting/ control rules and routines), the theoretical insights can and will be readily applied to management control in this dissertation.

2.2.1 MANAGEMENT ACCOUNTING AND CONTROL CHANGE AND INSTITUTIONAL THEORY

One of the first and most cited contributions to the study of management accounting change as a process has been made by Burns and Scapens (2000) with the introduction of an institutional framework for the conceptualization of management accounting change. The framework draws on institutional theory to explain changes, claiming that models based on neo-classical economic theory do not adequately reflect the progressive nature of the change, but rather assume that change exists as a rational or optimal outcome. This subsection gives an overview about management accounting and control change research drawing on institutional theory, which acknowledges the co-existence of stability and change.

The institutional view on management accounting and control change illustrates the management accounting system and practices as a formal set of rules and routines, which can shape but also be shaped by the environment. Up until today, different streams of institutional theory have been used in accounting literature, namely the new institutional (or transaction cost) economics, new institutional sociology and old institutional economics. The above mentioned institutional framework by Burns and Scapens (2000) draws on the latter, old institutional economics, as this “provides a focus on organizational routines and their institutionalization” (Burns and Scapens, 2000: 4) in an intra-organizational environment, in contrast to new institutional sociology research in accounting, which focuses on extra-organizational institutions. The stream of new

institutional (or transaction cost) economics was also considered inadequate to capture change processes, since it is rooted in the neo-classical economic theory and, as well as the new institutional sociology, looks at external pressures from a macro standpoint (Robalo, 2014). Next, the terms rules, routines and institutions as the major elements of the institutional view on management accounting change are defined.

Burns and Scapens (2000) define rules as the “formally recognized way in which ‘things should be done’” (Burns and Scapens, 2000: 6), which are required to coordinate the actions of groups of individuals. Following this logic, routines can be described as “the way in which ‘things are actually done’” (Burns and Scapens, 2000: 6) and represent patterns of thought and action of groups of individuals that can be a result of repeatedly following rules. A strict distinction is made between routines referring to the behavior of a group and habits as the behavior of an individual. In the context of management accounting and control, rules correspond to the formal systems and routines represent the accounting and control practices that are actually in use. However, the definitions of rules and routines Burns and Scapens (2000) suggest are not to be considered universal, as, for instance, van der Steen (2011) and Quinn (2011) criticize the lack of conceptual clarity in their definition of routines. They propose to distinguish between ostensive aspects of routines (emphasizing not the routine itself, but how the actors understand it) and the performative aspects of routines (the specific actions taken by individuals) to explain changes in management accounting and control.

In contrast to rules and routines, which are thought to be grounded in a specific historical context, institutions, another important element of the institutional framework, are disassociated from the historical context. Institutions are defined as the actors understanding of “the way things are” (Burns and Scapens, 2000: 7) and “the shared taken-for-granted assumptions which identify categories of human actors and their appropriate activities and relationships”, that “inform and shape the actions of individual actors” (Burns and Scapens, 2000: 8). They have a normative and objective character and define behavioral patterns, that differ in their level of institutionalization. The level of institutionalization is measured by the length the institution has been in place and how widely it is accepted. Depending on the extent of the institutionalization the behavioral patterns are more or less likely to influence action.

Burns and Scapens (2000) see rules and routines as modalities that link the institutional realm with the realm of action. According to their framework, institutional behavioral patterns are encoded into rules and routines. The routines embody the institutions and modify the existing rules, which in return can also reformulate the existing routines, as described above. If the newly established rules and routines happen to be against the meanings and values of the participating actors, resistance to change may arise. Through repeated behavior of actions, routines can be reformulated and eventually be institutionalized if widely accepted. The implementation of new rules in an organization is thus influenced by the encoding of ongoing institutions, but also by the reproduction of the existing routines. This process disassociates the patterns of behavior from historical circumstances of the actors, so that rules and routines become “the way things are”, the unquestionable way of doing things. The rules and routines now represent the behavior of a particular social group and the more widely this institution is accepted, the more likely it influences action and resists to changes (Burns and Scapens, 2000). Inertia, which results from this resistance, is further explained below in this subsection.

In a different approach of explaining management accounting and control change based on institutional theory, van der Steen (2011) draws the attention to the nature of routines. According to his findings, routines cannot be conceptualized in such a simplistic manner as it is done in Burns and Scapens’ framework and a greater emphasis need to be laid upon the process through which the routines themselves are reproduced and changed.

The management accounting and control change processes as displayed above can be described as evolutionary, since they comprise change over time, inertial forces that provide continuity, and both random elements (e.g. the development of mutually accepted practices or the way routines are reproduced) and systematic mechanisms (e.g. the selection of the new management accounting concept). Specific changes in the management accounting of an organization, however, can still have revolutionary characteristics. Revolutionary change is often due to severe external changes (e.g. market collapse, economic recession) and aims to radically change existing routines and institutions. Nonetheless, even revolutionary change is impacted to some extent by prevailing rules and routines and managing the change requires a deep understanding of the context of each particular organization (Burns and Scapens, 2000).

2.2.2 INERTIA IN MANAGEMENT ACCOUNTING AND CONTROL CHANGE

As referred to by Hannan et al. (2004), the notion of inertia has increasingly become recognized by social scientists, whereas it was still a very controversial topic in the 1980's. Inertia is defined as "a persistent organizational resistance to changing architecture" (Hannan et al., 2004: 214) or the "inability to enact internal change in the face of significant external change" (van der Steen, 2009: 738). Gilbert (2005) further conceptualized the notion of inertia by dividing the phenomenon in two different categories, namely resource rigidity (failure to change resource investment patterns) and routine rigidity (failure to change the organizational processes that use those resource investments). The second of the two categories, routine rigidity, describes the inert nature of routines, which goes along with the findings of the institutional view that imputes routines a certain degree of resistance to change. Thus, in an institutional view on management accounting and control change, inertia is likely to manifest itself when routine behaviors are challenged by new formal rules, such as a new management accounting and control system (van der Steen, 2009).

Burns and Scapens (2000) portray three different types of resistance that can occur as a response to the introduction of new systems:

1. Formal resistance due to competing interest;
2. Resistance due to a lack of capability (knowledge and experience) unrelated with competing interests to cope with the change; and
3. Resistance due to established ways of thinking and doing, embodied in existing routines and institutions.

In the case of the first type of resistance the employee is conscious about his resistant behavior, which occurs due to sense making. Sense making leads to self-interested calculations and the actor can decide to retain a certain old behavioral pattern at the expense of new behaviors (promoted by the new management accounting system) in order to improve the personal situation, which leads to inertia. In the case of the second and third type of resistance, the employee is unconscious about his own behavior. Due to the lack of capability to cope with the change or the interpretation of new accounting and control rules through existing ways of thinking, inertia arises and the by the new concept intended behavioral change might not be imperative anymore and thus might not be

reached. Furthermore, inertia can also arise from conflicting or inconsistent rules that produce anxiety and therefore encourage to retain old behaviors in order to reduce this anxiety (van der Steen, 2009).

In summary, it can be stated that in many cases inertia is not only due to conscious resistance, but also to a subconscious one. Institutional change through the simple introduction of new management accounting and control rules is therefore likely to face considerable challenges, which have to be taken into account in an implementation process (van der Steen, 2009).

Organizations, both in steady state situations and particularly when undergoing changes, are not necessarily tightly integrated systems. This important insight has been highlighted by the stream of research called “loose coupling”, a context discussed next.

2.2.3 LOOSE COUPLING

2.2.3.1 Definition and Background

The notion of an organization as a loosely coupled system goes back to the 1970's, was first described by Glassman (1973) and Weick (1976) and further elaborated by Orton and Weick (1990). The early contributions to the literature had a strong focus on loose coupling in educational environments, but since then the notion has been applied to other types of organizations. Loose coupling assumes that an organization consists of both rational and indeterminate elements (Weick, 1976, Orton and Weick, 1990). These elements are seen as responsive, but preserve their own identity and show physical or logical separateness (Weick, 1976). They can be located in any part of the company (top, middle, or bottom) and vary in the degree of interdependencies (Orton and Weick, 1990). According to Glassman (1973) the degree of coupling can be measured with the activity of variables the two elements share. If two elements have either few variables in common or if the common variables are weak, these two elements can be considered as loosely coupled. Loose coupling can be found in several different dimensions, such as among individuals, organizations, subunits or ideas, between hierarchical levels or activities, between intention and action or even between past and future events (Weick, 1976, Dubois and Gadde, 2002). Recent management control research regarding the notion of loose coupling mainly focused on loosely coupled performance management systems (see Ahrens and Chapman, 2002) or on the loose coupling between formal rules and informal

routines in order to enable management accounting change and stability occur simultaneously (see Lukka, 2007).

2.2.3.2 Advantages and Disadvantages of Loosely Coupled Systems

From an academic perspective, the main benefit of the loose coupling notion is that it offers the researcher a “sensitizing device” (Weick, 1976: 2), which enables the questioning of settings that had previously been taken for granted, since any organization consists of tightly and loosely coupled elements (Weick, 1976).

The most important contribution of the loose coupling concept for this research is described in the argument of Glassman (1973), who states that loose coupling allows certain parts of the organization to persist, while others change or have to change due to external changes. Loose coupling thus serves as a buffering mechanism for the entire organization against unfavorable circumstances in the external environment and enables local adaptation. This also protects the organization from potential breakdowns in one part of the system, as it seals off the problematic part (Glassman, 1973, Weick, 1976, Dubois and Gadde, 2002).

Further potential advantages of loose couplings in organizations are the increase in self-determination that leads to a greater sense of efficacy of the employees, the upsurge of diversity and innovation, the decrease of costs due to the reduced need for coordination, and the fact that more independent elements can serve as a sensing mechanism to perceive changes in the environment more easily (Weick, 1976, Dubois and Gadde, 2002).

Most drawbacks of loosely coupled systems are related to the above mentioned advantages. For instance, while loose coupling allows a certain part of the organization to persist when another part changes, it is not selective in this process, so it could also allow unwanted traditions and habits to persist. Moreover, the buffering mechanism loose coupled systems feature may not only protect against unfavorable circumstances, but may also prevent advantageous mutations to diffuse throughout the organization. Finally, another disadvantage is seen in the sensing mechanism, which might cause more frequent (and perhaps unnecessary) changes in the organization’s activities (Weick, 1976).

3 METHODOLOGY

This chapter introduces the research methodology used in the dissertation in order to answer the research question. Furthermore, it describes why the case company was selected, how the chosen research method was applied, and how the data was generated.

3.1 RESEARCH APPROACHES

There are three main research approaches in academic works: quantitative methods, qualitative methods and mixed methods. The first two should not be considered as distinct opposites, but rather as different ends of a continuum. A research can be more quantitative or more qualitative, whereas mixed methods reside in the middle of the continuum. From the late 19th century until the mid-20th century quantitative research dominated in the social sciences (Creswell, 2013). This situation changed when experiments with qualitative research discovered that the words used in qualitative research can be as effective as the numbers used in quantitative research. Nowadays, qualitative research methods are also considered as valid techniques for conducting research (Taylor, 2005). The increasing interest in qualitative research methods in the late 20th century also fueled the development of mixed methods (Creswell, 2013).

3.1.1 QUANTITATIVE RESEARCH

Quantitative research is a research approach which focuses on numerical measurements and amounts of the characteristics of people, events or phenomena that are studied (Thomas, 2003). It is known as a fixed research design and breaks data down into numbers that are consequently analyzed using statistics to find out whether the results are significant (James and Slater, 2013, Information Resources Management Association, 2015). The quantitative research approach aims to test existing theories and is therefore a form of deductive reasoning (Creswell, 2013). Deductive reasoning is a top-down approach that formulates a theory upfront and uses empirical data to confirm or reject this theory. It is also referred to as theory-driven research (Information Resources Management Association, 2015). Quantitative researchers try to find explanations that can be generalized to other situations, other people or other places and try to avoid contamination of data by implementing protections against bias (Thomas, 2003, Creswell,

2013). According to James and Slater (2013), quantitative data is usually used in larger populations of people to gather information around a small and specific set of topics.

Research designs that use quantitative research methods include true, quasi- and single-subject experiments, applied behavioral analysis, causal-comparative research, correlational design, and survey research (Creswell, 2013).

3.1.2 QUALITATIVE RESEARCH

Qualitative research expects to examine the opinions or experiences of individuals or groups regarding a certain social or human problem. It is known as a flexible research design, relies on the information people are willing to share with the researcher and focuses on words and descriptions (Creswell, 2013, James and Slater, 2013, Information Resources Management Association, 2015). Qualitative researchers use data generated in its natural setting to inductively reveal insights that aim to build theory. The research design is therefore also referred to as data-driven research (Information Resources Management Association, 2015, Creswell, 2013).

Research designs that use qualitative research methods include historic research, narrative research, phenomenological research, grounded theory, ethnography, and case studies (Creswell, 2013). Since the case study method will be used in this study, it will be analyzed in detail below.

3.2 CASE STUDY METHOD

3.2.1 DEFINITION

The case study method is just one out of many research methods used in social sciences, but is the preferred method for a researcher to answer “how” and “why” questions. Furthermore, it is described as a useful method for events over which the researcher has little control and which concentrate on a contemporary phenomenon (Yin, 2009). Several definitions for case study research exist in literature. The most frequent encountered definitions will be presented below.

Schramm (1971) defines a case study as

“...centrally concerned both with time and with description. It seeks to record why a given decision was taken, how it was worked out, and what happened as a result. The decision may be one to establish a project – for example, carry out an

educational reform. A case study of any size will deal with a number of decisions taken in the course of carrying out the original decision, will describe the situations in which they were taken and the procedures involved in carrying them out, and the effects of doing so.” (Schramm, 1971:5)

While this first definition is more concerned with the description of a decision making process, the following definition proposed by Yin (2009) focuses more on the fact that the subject of investigation is contemporary and in its real-life context:

“...an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.” (Yin, 2009:18)

In contrast to other research methods that also try to answer the “how” and “why” questions, the experiment and historic research, the case study neither divorces a phenomenon from its context, as it is done in an experiment in a laboratory environment, nor deals with non-contemporary, outdated events, as in historic research (Yin, 2009).

The definition suggested by Woodside (2010) surpasses the descriptive characteristic of case studies by defining case study research as

“...an inquiry that focuses on describing, understanding, predicting, and/or controlling the individual (i.e., process, animal, person, household, organization, group, industry, culture, or nationality).” (Woodside, 2010:1)

In Woodside’s view the most important characteristic of the investigated subject of the case study research is its individuality. A famous quote of the American behaviorist and psychologist Skinner described this characteristic already in 1963:

“...instead of studying 1,000 rats for 1 hour each, or 100 rats for 10 hours each, the investigator is likely to study 1 rat for 1,000 hours.” (Skinner, 1963:508)

Nevertheless, case study research does not necessarily have to be limited to only one sample. For case study research aiming to estimate the size of an effect, one inquiry can include several different in-depth case studies (Woodside, 2010).

Against popular belief case studies as a research design are not always of a qualitative research type. Case studies can also include or even be limited to quantitative evidence,

while typical quantitative research designs, such as experiments and survey questions, can also rely on qualitative evidence (Yin, 2009).

3.2.2 ADVANTAGES AND LIMITATIONS

One of the most important advantages of the case study method is the close collaboration between the researcher and the research object, which are in this case the employees of the company. This allows the reader to feel as an active participant in the research and enables him to decide whether the study's findings can be applied in his own situation (Baxter and Jack, 2008).

One of the core criticisms on case study research deals with the aspect of generalization. Critics claim that the cases studied in this research method are so unique, that they cannot be generalized to populations. In order to respond to this criticism, one has to keep in mind that data from one single experiment can also not be generalized and thus a set of experiments of the same phenomenon under different conditions is needed. The same counts for a case study. If a case study is supposed to provide a statistical generalization, multiple case studies under specific conditions are required to be conducted. However, in general, when applying the case study method, investigators do not intend to reach statistical generalization, but rather an analytic generalization that expands and generalizes theories (Yin, 2009, Woodside, 2010).

Another major criticism on case study research is the lack of rigor and the possibility of biases. Investigators of case studies often do not seem to follow rules and systematic procedures as much as researchers using other methods do. This may be partly due to the fact that not as many methodological texts have been written about the topic, which offer researchers a clear guideline to follow. Moreover, people tend to confuse case study research with case study teaching. When using case studies as a teaching method, instructors are allowed to add, remove or change facts from case studies to emphasize a particular characteristic. In case study research this is strictly forbidden, but the research method still suffers from trustworthiness from the confusion (Yin, 2009).

Furthermore, emphasis on studies that identify causal relationships has emerged lately. Case studies are not able to directly address causal relationships and have consequently lost reputation (Yin, 2009).

3.2.3 CASE STUDY TYPES AND DESIGNS

Two of the most cited authors on case study research, Yin (2009) and Stake (1995), developed different descriptions for a diversity of case studies. While Yin (2009) categorizes case studies as explanatory, exploratory, descriptive, or multiple, Stake (1995) describes them as intrinsic, instrumental or collective (Stake, 1995, Yin, 2009, Baxter and Jack, 2008). In the following the different case study types are presented.

3.2.3.1 Explanatory Case Study

An explanatory case study aims to answer a research question that explain supposed causal links in real-life interventions. An explanatory case study can, for instance, search the most plausible explanation that connects a program implementation with program effects (Baxter and Jack, 2008). It consists of a profound interpretation of the underlying facts of the case, a consideration of possible explanations for the fact and a conclusion based on a single explanation that is the most plausible for the case (Yin, 1981).

3.2.3.2 Exploratory Case Study

In an exploratory case study, the outcome of the intervention is not clear from the beginning (Baxter and Jack, 2008). Yin (2009) compares this type of case study with the exploration of the world by Christopher Columbus, who had some rationale regarding the size of his expedition, regarding the direction and regarding the way to recognize the expected findings (which later proved wrong). Nevertheless, Christopher Columbus could not foresee the final outcomes of his expedition, which demonstrates the kind of rationale that should underlie an exploratory case study (Yin, 2009).

3.2.3.3 Descriptive Case Study

A descriptive case study simply describes the phenomenon or intervention and the real-life context in which it takes place (Yin, 2009). Before a descriptive case study is conducted, a descriptive theory has to be developed (Tellis, 1997).

3.2.3.4 Intrinsic Case Study

In contrast to other case study types, the purpose of the intrinsic case study is not to gain a deeper understanding about a contemporary, generic phenomenon, neither to build a

theory, but to understand a case because of its particular interest. Moreover, the case is not selected because of it being a representative of other cases (Stake, 1995).

3.2.3.5 Instrumental Case Study

In an instrumental case study, the case is of minor interest and plays a supportive role. The main aim of such a case study is to help understanding a certain topic or approving a theory. The underlying case can be a unique case or representing a range of similar cases (Stake, 1995).

3.2.3.6 Multiple/ Collective Case Study

A multiple or comparative case study, a type of study identified by both Yin (2009) and Stake (1995), includes several different cases and enables the investigator to compare within or between cases. In this case it is necessary that the cases are carefully chosen otherwise the researcher might not be able to predict similar or contrasting results according to a theory (Baxter and Jack, 2008).

In addition to the described types of case studies, case studies can have several different designs. The designs chosen by researchers differ according to the aim of the study, which is stated in the research question.

3.2.3.7 Single Holistic Case Study

In a single case study, one case is studied in-depth and only one unit of analysis is considered. There are several reasons why an investigator should opt for this case study design. One reason is that the single case study represents a critical case in testing a theory. A single case study can confirm that a theory's propositions are correct or challenge or extend the theory. Another reason to opt for a single holistic case study is that the case represents an extreme or unique case. It is commonly used in clinical psychology, where cases are so rare that they scientists cannot establish common patterns. A third reason is the representative or typical case. The case might represent a typical industry (e.g. manufacturing), a typical neighborhood, etc. A fourth reason is the revelatory case. This case depicts a situation in which the researcher has the opportunity to observe a phenomenon that is new to scientific investigation. The fifth reason that justifies the use of a single holistic case study is the longitudinal case. In a longitudinal

case the same case study is studied at different points in time and serves to discover changes of conditions over time (Yin, 2009).

3.2.3.8 Single Case with Embedded Units

A single case study with embedded units occurs when the investigators study one or several subunits within one case. This design is, for instance, used for a case study about an organization, such as a hospital, in which different clinics are chosen for investigation (Yin, 2009). Such case gives the researcher the ability to analyze data within subunits (within case analysis), between subunits (between case analysis), or across all the units (cross case analysis), which greatly improves the quality of the overall case (Baxter and Jack, 2008).

3.2.3.9 Multiple Case Study

In a multiple case study, several cases regarding one research questions are studied and analyzed. The striking difference between a single case study with embedded units and a multiple case study is the fact that in a multiple case study the context in each of the cases is different, whereas it stays the same for each unit in a single case study with embedded units (Baxter and Jack, 2008).

3.3 METHODOLOGICAL DETAILS OF THE RESEARCH

3.3.1 COMPANY SELECTION

The Nors Group was selected for this case study because it was the first company in Portugal to implement the Beyond Budgeting concept and has demonstrated significant success. Due to the fact that the implementation of the concept did not strictly follow the Beyond Budgeting principles defined by the BBRT, the group portrays a unique case, which is worth to be studied in-depth.

3.3.2 RESEARCH METHOD AND DESIGN

Qualitative research was the most appropriate approach to address the research question, given its potential to capture the personal opinions of actors regarding the decisions and behaviors during the implementation process. As the research method the case study method was chosen, aiming to obtain a holistic understanding of the single case analyzed. The general mode of fieldwork was both exploratory and explanatory. While the first part

of the empirical analysis, which investigates the way the Beyond Budgeting principles were implemented, can be considered exploratory, the findings of the first part – the fact that the Beyond Budgeting model was implemented as a loosely coupled system – are consequently used in an explanatory mode to clarify causal links that have led to the decoupling.

3.3.3 DATA COLLECTION

Different types of data collection techniques were used during the research of this dissertation in order to avoid skewed results. The different techniques can be classified under the terms primary data and secondary data.

For the collection of primary data, semi-structured interviews were conducted. Semi-structured interviews may follow pre-formulated questions (interview guideline), but are not strictly adherent to them. This enables the interviewer to adjust the dialogue to potentially important topics that emerge during the interview process (Myers, 2008). An individual interview guideline was designed before each interview session and all interviews were tape-recorded and transcribed into written form to ensure the reliability of the data and facilitate analysis. Except for two interviews – Nors2 and Nors6, which were conducted via telephone – the sessions took place in a face-to-face environment. The participants, their positions, as well as the respective dates, durations and language of the interviews, are displayed in the following table.

Position	Interview code	Date (day/month/year)	Duration (hours:minutes)	Language
Former Director of Planning and Performance Management	Nors1	09/12/2016	01:23	English
Executive Business Director	Nors2	22/03/2017	01:02	Portuguese
Controller of a Business Unit	Nors3	22/03/2017	00:56	English and Portuguese

Group Controller 1	Nors4	06/04/2017	01:38	English and Portuguese
Former Director of Planning and Performance Management	Nors5	19/05/2017	01:18	English
Executive Business Director	Nors6	01/06/2017	00:40	Portuguese
Group Controller 2	Nors7	01/06/2017	00:21	English

Table 3: Conducted Interviews

The participants of the study were chosen on the basis of a purposive or criterion based sampling and of a snowball sampling. Purposive or criterion based sampling describes a sampling procedure, in which the sampling units are chosen because of particular features or characteristics (Ritchie and Lewis, 2003). The interviewees of Nors1, Nors 4, Nors5 and Nors7 were chosen due to this sampling because of their specific roles within the case study company that promised beneficial information. The interviewees of Nors2, Nors3 and Nors6 were chosen on the basis of snowball sampling after being indicated as interesting interview partners by the former director of the planning and performance department (Nors1). In this sampling procedure already interviewed sample units are questioned to identify other potential interviewees that fit the selection criteria (Ritchie and Lewis, 2003). The former director of the planning and performance management department left Nors during the research process. Nevertheless, as he was considered the change agent and had a very prominent role in the Beyond Budgeting implementation, he was still interviewed after he had already left the organization.

Furthermore, primary data was also gathered by the author's attendance in two university presentation on the topic held by the former director of the planning and performance department, which both included a Q&A session. While notes were taken for the first presentation session, the second was tape-recorded and transcribed. The presentation sessions, including the dates, durations and language, are displayed in the following table.

	Presentation Code	Date (day/month/year)	Duration (hours:minutes)	Language
University Presentation on Beyond Budgeting Implementation with Q&A	Pres1	30/03/2016	ca. 01:00	English
University Presentation on Beyond Budgeting Implementation with Q&A	Pres2	16/05/2017	01:09	English

Table 4: Attended Presentations

The data gathered during the interviews and presentations was analyzed with the help of the qualitative data analysis software NVivo. This allowed the author to classify the data according to pre-established topics in 17 different knots and facilitated the analysis and comparison. The knots used to classify the data are presented in appendix 1.

In addition, secondary data was collected and analyzed. Secondary data is considered as a very important tool to support and validate the findings of the primary data collected. Therefore, PowerPoint files about the case topic of the above mentioned presentations and internal communication documents were examined closely. For the analysis of the secondary data content analysis was used.

In order to maintain confidentiality for the case company, certain figures obtained by primary and secondary data collection had to be omitted, as indicated in the appropriate sections.

Throughout the entire process of data collection, the literature review was revised and the acquired knowledge benefited to analyze and interpret the collected data. The provisional version of the thesis was reviewed by the two group controllers at Nors to avoid biases.

4 EMPIRICAL ANALYSIS

This chapter is structured in two sections, the findings of the empirical analysis and the discussion of the findings. Section 4.1 presents the case company, outlines the reasons for changing the management control system and describes the implementation status of the new management control approach based on Beyond Budgeting principles as communicated by the interviewees. This section represents the exploratory part of the empirical analysis. Based on the analysis of some of these preliminary interviews, the author discovered that the system was implemented in a loosely coupled way. Section 4.2 presents a discussion of the findings. It brings in the loose coupling concept and further presents and discusses how loose coupling was used within the context of Beyond Budgeting. It outlines two factors that influenced the implementation in such fashion, and reflects how the loose coupling affected the long-term change process.

4.1 FINDINGS

4.1.1 COMPANY PRESENTATION

The Nors Group was officially founded in 1949 as *Grupo Auto Sueco* by Luiz Oscar Jervell and Yngvar Poppe Jensen, after Volvo had been represented by Luiz Oscar Jervell in northern Portugal since 1933. The group is currently headquartered in Porto, Portugal and has operations in more than 23 countries across four continents. In 2012, Grupo Auto Sueco underwent a restructuring process due to the need to accelerate growth and improve resource proximity in the international markets. The former structure, based on business lines, gave way to a regional structure, which represents the company's requirements more adequately. The new structure decentralizes decision making and empowers leadership within the different regions, while improving the availability of the board members to focus on corporate strategies. The restructuring process also led to the group's renaming to Nors Group in September 2013, after having invested greatly in internationalization as well as expansion into new business areas and the need for a global corporate brand had emerged.

Nevertheless, employees describe Nors as conservative and command-and-control thinking company, as displayed in a statement of the former director of planning and performance management:

*“NORS is a very command-and-control and hierarchical thinking company.”
(Interview Nors1)*

By today, the group employs more than 3.800 employees worldwide and is a leading distributor for Volvo, Mazda, Honda and and Rover cars, Volvo and Renault trucks and construction equipment, as well as a supplier of vehicle parts and vendor of recycling and safekeeping solutions. Nors Group is organized in six organizational areas: Nors Iberia, Nors Angola, Nors Brazil, Nors Africa, Nors Ventures, and Grupo Ascendum, a multinational cooperation supplying construction, industrial and infrastructure equipment, of which Nors holds fifty percent equity. The following figure shows the broad organizational structure of the group.

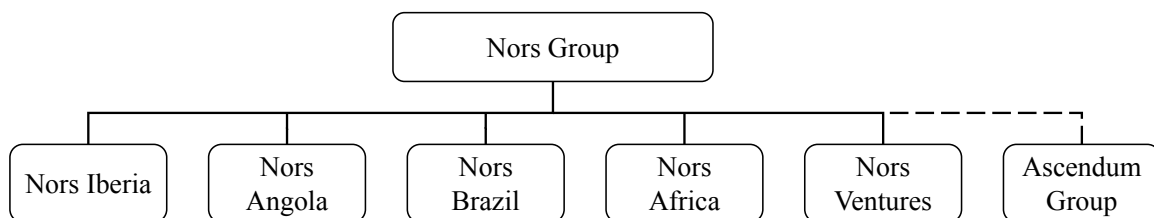


Figure 1: Organizational Structure of Nors

The corporate governance structure includes a general board, a management board and the boards of directors of the several regions.

The general board consists of three members and is responsible for approving the global strategy and monitoring its implementation, which is suggested by the management board. The management board is the main executive body of the group and consists of eight members, including the CEO, CFO, the executive administrators of Nors Iberia, Nors Angola, Nors Brazil, Nors Africa (also CSO), Nors Ventures and two of the members of the general board. It is responsible for defining and implementing the required policies to achieve the overall strategy, for managing the groups business portfolio and monitoring the performance of the regions. Each region has a different regional board of directors which assembles the executive administrator of the respective region (as the president of the regional board) and two to three other executives. In the following, the management board will be denominated “top management”.

The additional hierarchical levels at Nors are the executive business directors, in the following called “upper management”, the business line managers, denominated “middle

management”, and the front line employees as the lowest hierarchical level of the organization. The corporate governance structure is displayed in the following figure.

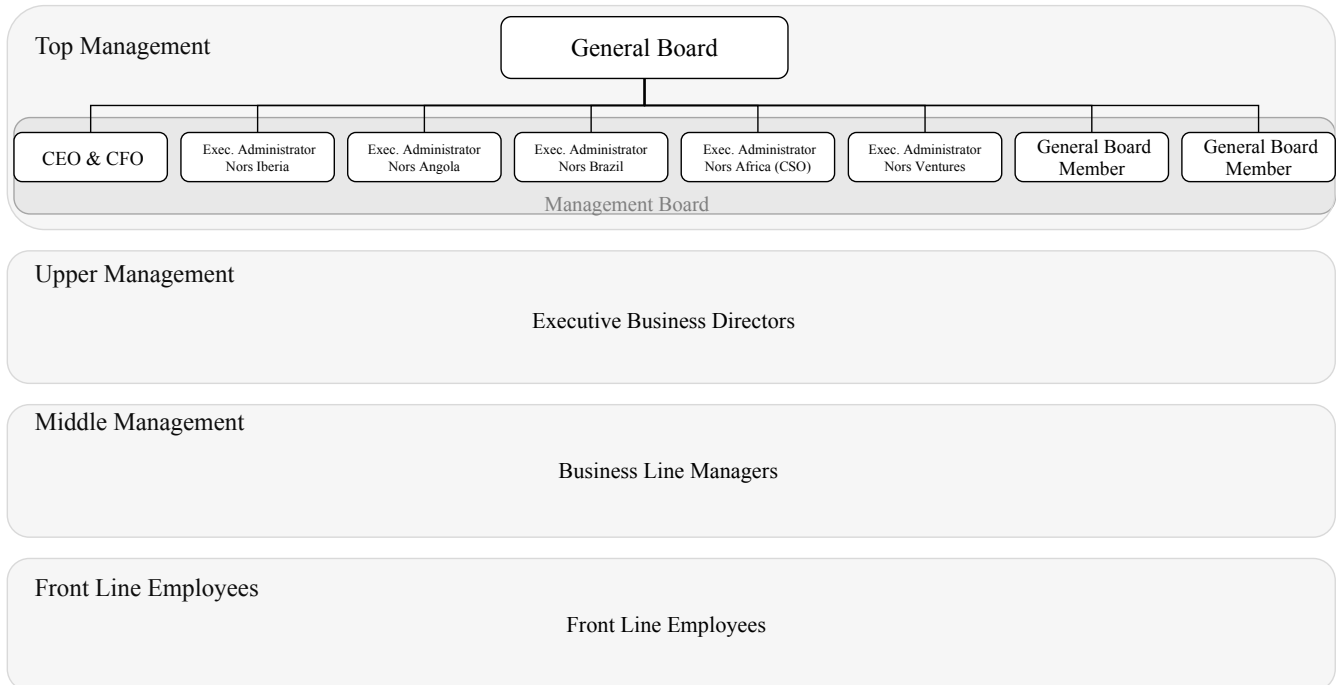


Figure 2: Corporate Governance Structure of Nors

4.1.2 REASONS FOR CHANGE

The change of the management control concept according to Beyond Budgeting principles at Nors was initiated by the end of 2012 following the perceived need of a set of lighter budgeting tools due to continuous dissatisfaction with traditional budgeting. The dissatisfaction was mainly caused by the radical change from a fairly stable market context prior to the financial crisis to a rapidly ever-changing environment after 2008. Already before the financial crisis, major drawbacks of traditional budgeting were identified at Nors, but the company had been comfortable tolerating them. This subsection describes the reasons for change at this particular time in the case company.

Several drawbacks of the traditional budgeting concept that were identified in the literature review could also be found at Nors and presented reasons for change. Most of these weaknesses were related to the business process and the competitive strategy, as displayed in 2.1.1.3, and are presented next.

4.1.2.1 Business Process

The major limitation of the traditional budgeting process found at Nors, as well as in the literature (Neely et al., 2001, Neely et al., 2003, Player, 2003, Waal et al., 2011), is the fact that budgets are highly time consuming and costly to put together despite being outdated after a very short period of time. All participants in the study related to this fact as one of the major reasons for the change to the new management control concept. The former director of the planning and performance management department at Nors mentioned as follows:

“In 2012 the budget didn’t work anymore, because in March, April there was no connection to reality anymore. So you didn’t have any more motivational tool regarding the targets or planning tool regarding the planning, that you need to follow the business. And still you were wasting a lot of work hours between September and December to make the budget.” (Interview Nors1)

In general, the former budgeting process was considered too detailed and heavy and thus leading to high costs, as described by the controller of a business unit and by one of the executive business directors:

“In the end of each year we did something very detailed, something very particular, with a lot of information. For example, we ended up creating a budget for the electricity bill, and currently we do not do it.” (Interview Nors3)

“[...] starting from October it involved all structures of the company to put together [budget] proposals and then they were discussed: expenses, expenses, revenues, revenues... [...] We were wasting a lot of time and lot of working hours and the costs were high.” (Interview Nors2)

Furthermore, the budgets created in the former management control concept at Nors were thought to be based on unsupported assumptions and guesswork, as also stated in the literature (Wallander, 1999, Neely et al., 2003), which was expressed in a statement of one of the executive business directors:

“If we do not have such a dynamic, precise [budgeting] tool that shows the trends, we are very dependent on people’s perceptions for the information we have.” (Interview Nors2)

Another major drawback of the traditional budgeting concept found at Nors is the fact that traditional budgets led to dysfunctional gaming behavior (Argyris, 1953, Neely et al., 2003, Horváth and Sauter, 2004, Bartram, 2006), as described in the following quote from a group controller:

“They will allocate a certain amount of money for you to spend, right? And your performance contract will be based on that target. So if it comes to November and you reach the conclusion that you would want to recruit an employee that is important for your business, but you might not recruit him because you would not reach your target doing it. [...] You actually think it would be good for your team and for your company [...]. But since you don't have any money left and you don't want to spoil your target, you prefer not to recruit.” (Interview Nors4)

Other occurring budget games were the sudden decrease of sales when a sales target had already been met or the sudden increase of sales with low, or even without profit margins at the year-end to reach the defined absolute number. Managers were also caught “telling stories” about their future performance in order to keep the same amount of resources they already had received in the previous year:

“[...] the manager will always tell you he will make it, because he doesn't want to adjust [his] resources.” (Interview Nors1)

At Nors, this was defined as a typical cultural problem, which further hindered a performance culture to arise:

“[...] that's a southern Europe[an] problem that the good manager is not the one that gives you the best return on investment, it's the one that has more resources, more people working for him.” (Interview Nors1)

4.1.2.2 Competitive Strategy

One of the main obstacles of traditional budgeting regarding the competitive strategy at Nors is the fact that traditional budgets constrain responsiveness and flexibility and often demonstrate a barrier to change (Neely et al., 2003, Hope and Fraser, 2003a, Hope and Fraser, 2003b, Player, 2003). This is reflected in the statement of one of the business unit's controllers:

It [the Beyond Budgeting model] is a much simpler model than the traditional one, it is dynamic. The previous one was very static, not very flexible, and it did not adapt to changes in the market.” (Interview Nors3)

Moreover, as also stated in literature (Neely et al., 2003, Horváth and Sauter, 2004, Waal et al., 2011), traditional budgets were believed to impede value creation. As already mentioned, budgets motivated sales people to sell on a lower margin at the year-end to achieve the desired target and thus, destroyed the value for the company. The former director of planning and performance management described the process as follows:

“Push doesn't give you value, because to push you have to give something back, you have to have more, you have to give more stock to push something, you need to give more time for them to pay, you need to lower your prices. So it's not an added value behavior. So what happens in the budget is that you get to the end of the year and you push to make the results. If you push to make the results, then your gross margin is going down.” (Interview Nors1)

Another issue with traditional budgets that was recognized before the implementation of Beyond Budgeting principles at Nors is related to the strategic focus of the budget setting (Neely et al., 2001, Neely et al., 2003, Horváth and Sauter, 2004, Waal et al., 2011). Traditional budgets are often set on the basis of last year's results and do not reflect the actual potential of an organization. At Nors, the traditional budgets were usually set as a ten percent sales increase of the previous year, which resulted in a missing connection of strategy and budget. In order to implement the new management control concept, the company saw the urgent need to engage in strategy building as a first step, as displayed in the comment of the former director of planning and performance management:

“So, the first interaction was: "Please write your strategy. According to group orientations, write your strategy", and that was it - very difficult.” (Interview Nors1)

This also agrees with the finding in literature stating that traditional budgets are bureaucratic and discourage creative thinking (Neely et al., 2001, Neely et al., 2003).

Overall, the managers at Nors were described as being tired of the traditional budgeting process, which led to a higher receptiveness of a new model.

4.1.3 IMPLEMENTATION OF BEYOND BUDGETING

As described above, traditional budgeting at Nors was highly criticized due to several limitations of the concept. Thus, the board members at Nors exhibited a high willingness to accept changes in the management control concept. They were further convinced by the fact that an implementation of a new management control approach based on Beyond Budgeting principles would not demand high investments in resources and, should any serious implementation problems arise, be easily be reversible by returning to the previous year's budget. The rationale was:

"You don't need lots of resources to implement this. So if it doesn't work, we still have the last year [figures] to compare with the performance. Ok, let's try this."
(Interview Nors1)

One distinguishing feature of the implementation process of Beyond Budgeting at Nors can be observed in the case of information asymmetry between the several involved parties. As mentioned by the former director of planning and performance management, the only actors to have the full information at disposal at the time the implementation process was initiated, were himself, the CEO and the CFO.

"Of course, the CEO and CFO knew exactly what I was telling, but the rest of the board didn't". (Interview Nors1)

This was also reflected in a statement made by one of the business unit's controllers about the level of knowledge of middle managers in the beginning of the implementation:

"In the beginning, I think they were not aware of the extent of changes implemented. In the beginning they only noticed that they would stop doing the work at the end of the year and that it would require a lot less work and would be easier for them. In the beginning it was only that. When they started to do the monthly forecast, they started to think that there would be a little bit more [changes involved]." (Interview Nors3)

The information asymmetry applied at Nors may be due to the fact that in academia Beyond Budgeting is repeatedly termed a "change in mindset" that is difficult to implement since it requires managers and employees to participate in decision making

and to accept change (Østergren and Stensaker, 2011, Bourmistrov and Kaarbøe, 2013, Heupel and Schmitz, 2015).

Another observation contributing to this assumption is the approach that was chosen by the planning and performance management department to implement the twelve BBRT Beyond Budgeting principles at Nors. The former director of planning and performance management described his approach as follows:

“So let me tell you how I have done it. From twelve principles, you have six that are more cultural principles and six that are about processes. And I never talked about the cultural ones. [...] Nors is a very command-and-control and hierarchical thinking company, so if you tell them I have a solution that will change the culture... they don’t want that. So I told them: “I have a solution that will make everything more dynamic and with less resources involved [...]”.”
(Interview Nors1)

At Nors, the six principles related to the management process were viewed as the necessary means to reach the ultimate change in culture. This thought follows the above mentioned finding in literature that characterizes Beyond Budgeting as a “change in mindset” (Østergren and Stensaker, 2011, Bourmistrov and Kaarbøe, 2013). Consequently, the implementation of the leadership principles is nowadays still viewed as a “work in progress”, while the process principles have been implemented right from the beginning.

“The [principles] regarding the management processes here at Nors are already operating since the beginning; since they started to implement the Beyond Budgeting model they are clearly in the company. The leadership ones are not [implemented] yet. It is a process that takes some time and we do not believe that it will be accomplished in a year or two from now, but in the future we will manage to have all principles in place.” (Interview Nors4)

In order to illustrate how the twelve Beyond Budgeting principles were applied at Nors, this section now describes the application of each principle in detail, starting with the management processes principles, as they were implemented first.

4.1.3.1 Implementation of the BBRT Management Processes Principles

4.1.3.1.1 Rhythm

Before the Beyond Budgeting implementation was initiated, the management processes at Nors were entirely based on the year-end. Targets were set to be fulfilled, resources were allocated and performance was measured annually on December, 31st. When implementing the new management control concept, the decision to introduce a rolling forecast of a length of fifteen months was taken, according to the time a major business project at Nors was believed to require. The rolling forecast helped the management processes to become more dynamic and the company's vision focused more on the long-term rather than the short-term financial objectives. The interviewed business unit's controller noted:

"I think that everybody is talking in a more long-term vision. It is not that short-term [focused] anymore." (Interview Nors3)

This development is also noticeable in the company's target setting process. Targets for all firms within the group are now set annually for five years in advance, but can be reviewed as needed.

Nevertheless, several years after the implementation process was initiated, the year-end focus still exists at the operational levels of the organization and causes resistance against the new model. One of the group controllers mentioned:

"That's why it is still difficult to pass the message. The lower [in hierarchy], the more difficult it becomes to pass the message. It is because they still look a lot to the year-end, they still compare a lot to the previous year. It is a process that takes time." (Interview Nors4)

The business unit controller further contributed to this topic by outlining the external pressure on the importance of the year-end focus. As any other company, Nors is obliged to close the accounts at the year-end, regardless of the management control system in use:

"We still continue balancing and consolidating our accounts on December, 31st. It is very complicated for them [the managers] to forget the end of the year and to only live in "rollings". This is not yet fully rooted in the people's minds. [...] It is very difficult to ask our managers to not think in the year-end, while it is still

important for us to have impeccable financial indicators when the accounts close on December, 31st, right? Because of the banks, the stakeholders... [...] We need to have a low stock on December, 31st, we need to have low receivables at December, 31st. This is still very important.” (Interview Nors3)

Indeed, the continuing difficulties that arose due to the external pressures mentioned in the above quote eventually led to adjustments in the management control concept, namely the shift of the focus from rolling back to year-end, as used in the previous system:

“I think it was two years after the implementation was initiated, [the former director of planning and performance management] had to do adjustments in the reporting information he sent. Because the information we sent in the beginning [of the implementation] of the model was all in “rolling”, it was exclusively twelve months ahead. Now he had to start putting the year-end. [...] We only adjusted a little bit, it was not a great change.” (Interview Nors3)

According to the former director of planning and performance management, this adjustment did not jeopardize the implementation of Beyond Budgeting, but rather facilitated the process. After two years working with the new concept the employees were already used to certain aspects of the concept and allowing them to go back to their previous comfort zone accelerated the introduction, as mentioned in the following quote:

“At first it was better to take away everything that was related to the classic way of management control. But then it is better to get people more comfortable, giving them something they want, so [...] you are not going to hear anything against the system anymore.” (Interview Nors5)

4.1.3.1.2 Targets

As mentioned in the literature, one of the main purposes of budgeting is the motivation of employees (Horváth and Sauter, 2004). With the implementation of the Beyond Budgeting concept, Nors decided to separate target setting and planning, two processes that had previously been defined by one single number - the traditional budget. Only the target set for the upper management level is denominated a “target” at Nors and it is seen as the medium and long-term strategic vision of the company, set for a five-year period.

As described by the executive business director, the revision for the targets is planned once a year, but can also take place more often:

“The targets that are set for the different business are defined for a period of five years and are revised every year afterwards. To be honest, they are actually revised more than once a year, when a reason occurs, let’s say a substantial impact, namely a great change in the market, as it happened in Brazil in the last two years... that’s why we have these revisions.” (Interview Nors2)

According to a group controller, the revision of the annual targets is not necessarily due to external reasons, such as a change in the market environment, but can also be justified with internal reasons, such as the opening of more store locations:

“Imagine that the director of a company adjusts [the rolling forecast]. This is a reason to adjust the targets. If he wants to open more locations, this is another reason to revise the target.” (Interview Nors4)

Annual targets at Nors are ambitious and directional, as also described by the BBRT principles (Bogsnes, 2016). Due to the above mentioned untangling of target setting and planning, targets are supposed to be set higher than the estimated numbers in the planning process in order to motivate the employees to strive for a better performance. According to the former director of planning and performance management, this point led to difficulties during the implementation process. He described one problematic encounter with his managers at the very beginning of the implementation process, who were not used to having, simultaneously, a realistic forecast and ambitious targets – i.e., different figures for each purpose. So that they initially kept trying to “play the numbers”. This emphasizes the difficulties the new concept implicated:

“I don’t understand why [the executive directors think] their rolling forecast [has to be] the same as the target. This is the target and this is the rolling forecast of the manager, and that’s it.” (Interview Nors1)

The annual targets at Nors are set for each of the group’s businesses as an entity and include relative and fixed figures. The literature suggests to use relative figures and to avoid fixed and cascaded targets (Bogsnes, 2016).

“And the targets are also relative. The only thing that is not relative is the target for EBITDA. And the others, it's market share, gross margin, all relative figures.”
(Interview Nors2)

To reach these annual targets, the directors of the different businesses engage in intensive discussions with the top managers, as displayed in a statement of the business unit's controller:

“There is a great negotiation between AutoSueco Portugal and the board, the CEO, to set the objectives.” (Interview Nors3)

Nevertheless, the target is still perceived as defined by the top management, as the interview with one of the group controllers reveals:

“This [annual target] is not the director who sets it. It is the administration, the CEO, that decides what they have to do.” (Interview Nors4)

“Who decides here, on the basis of the historic data, are the administrators [top managers], who define what they would like to reach and what they think the company is able to reach regarding the past performance.” (Interview Nors4)

The reason for still maintaining a fixed number (EBITDA) in the target setting for the group's businesses can, as well as in the case of the year-end focus, be found in the external pressure on the company.

“We have to have a fixed value, a fixed target, because the information we send to the banks, to the stakeholders, that we publish in the annual reports have to be in fixed values, since the banks still compare a lot on that basis.” (Interview Nors4)

At this high hierarchical level, there is therefore a clear divergence regarding the Beyond Budgeting literature, that advocates relative target setting at all levels of the organization (e.g. Hope and Fraser, 2003b, Player, 2003, Hansen, 2011, Bogsnes, 2016).

From the upper managers (the regional country directors,) the target is broken down in key performance indicators, passed to the middle managers (business line managers) and can differ from one person to another, as described by a group controller:

“There is one target, this target. This is what we call target. But the targets [...] can be broken down into KPIs”. (Interview Nors4)

“The KPIs can be different for each person. The commercial director will have KPIs related to the commercial area, the after-sales director will have KPIs related to after-sales, and so on.” (Interview Nors4)

It is very important to mention that at the middle management level at Nors, in opposition to the upper management level, all targets are set in relative figures. This is justified by the need to compare the numbers with historical values, as one of the group controllers explains:

“Here [on the middle management level] we only use relative KPIs. If it’s relative, if the numbers are relative, you can compare them along the entire year. With annual periods or monthly periods. With absolute numbers you cannot do this comparison.” (Interview Nors4)

An example for a relative target that is used at Nors group and adjusts to market conditions was indicated by the interviewed business unit’s controller:

“We do not say we will sell twenty million, we say that we want to sell [figure changed to ensure confidentiality] the running population, because we divide our sales by the running population, the number of trucks that currently circulates within Portugal. We do not say that we want to sell two thousand euros next month, we say that we want to sell two thousand euros for each truck that circulates in Portugal. [...] We knew that the Portuguese market was declining seriously every month. They couldn’t sell the same amount. There simply weren’t as many trucks on the road. That’s why less trucks resulted into less sales.” (Interview Nors3)

When analyzing the target setting in the lower levels of the company (here also called front line employees), it is strikingly noticeable that most of the targets are set in absolute figures, in contrast to the suggestions by the Beyond Budgeting literature. The former director of planning and performance management mentioned:

“Once you go to the individual targets then - I am implementing the model from top-down - if you are an accountant, how many invoices you have processed; on

the shop floor, how many screws you screwed or something.” (Interview Nors1)

As described by the business unit’s controller, the desire to implement relative targets in the lower levels of the company existed from the beginning, but the company had not yet been able to succeed.

“[The former director of planning and performance management] had the ambition to reach these [lower] levels. He always defended that it would be possible to set an objective that these people would understand. But we never made it there. We kept the absolute objectives in this case.” (Interview Nors3)

This decision is related to the superiors of the lower level employees, the middle managers. As the ones with the greatest knowledge about the lower level employees, they refused to set relative targets for the lowest level, since the middle managers worried about their own relative targets. The interview with the business unit’s controller revealed:

“They [the middle managers] are the first ones to say that the objectives of a team at the lowest level of the company couldn’t be relative, they had to be absolute. Because they say that they [lower level employees] wouldn’t understand and thus, it is much more complicated for them. The superiors of the teams understood that if we set relative targets for them [lower level employees], they wouldn’t be motivated. And then they [middle managers] would not reach their relative targets themselves.” (Interview Nors3)

4.1.3.1.3 Plans and Forecast

With the implementation of Beyond Budgeting, the planning and forecasting at Nors changed from a static annual planning procedure to a dynamic monthly process called “rolling forecast”. The rolling forecast is conducted monthly by the executive business directors (upper managers), who are also held responsible for it. It represents the company’s short-term strategy and is created on fifteen months into the future. This means that every month one month becomes historical data, the fourteen months in the future are updated according to current changes in the market environment and a new fifteenth month is added. This process enabled Nors to avoid immense investments for

the annual budgeting process and increased communication between the top managers and the upper managers.

“The rolling forecast allowed us to discontinue this enormous work at the end of a year to create a budget. And every month we do this activity, in which we revise the forecast, in which we talk a bit about prognoses, about the next months. In the past we only talked once at the end of the year about the projections and now we talk every month.” (Interview Nors3)

Moreover, the monthly planning process forces the managers to continuously think about the company's future and potential market developments. Although this is also denoted as one of the advantages of traditional budgeting that forces managers to plan annually (Bhimani et al., 2013), the rolling forecasts further reinforce this gain. The business unit's controller stated as follows:

“Basically, the major change in my function with the [implementation of the] new model is that we now sit down with the directors of the businesses every month and ask: “Ok, let's go. How are the next fifteen months going to look like?” And then they start thinking about it again...” (Interview Nors3)

Compared to the previous planning process, the rolling forecasts are perceived as much lighter and less detailed.

“In the end of each year we did something very detailed with a lot of information. For example, we ended up creating a budget for the electricity bill, and currently we do not do it. Now we do something not too detailed [...] Sales, gross margin, costs... (Interview Nors3)

An IT-software supports the executive business directors by generating the outputs (KPIs) on the basis of the monthly inserted data. The data is openly accessible to the company and can be adjusted at any time. The main purpose of the rolling forecasts at Nors is the degree of transparency about external changes the technique generates and the resulting ability to react quickly. A group controller mentioned about this fact:

“The rolling forecast, which is adjusted month by month, has the purpose to help the director to anticipate problems, right? Anticipate to take decisions as fast as possible.” (Interview Nors4)

As Nors operates in several different economies this has been considered as one of the main improvements the new concept brought. According to a group controller major differences in the usage of the rolling forecasts in the different economies can be observed: Whereas the rolling forecast in Portuguese businesses is rarely adjusted in significant values due to the political and economic stability, the rolling forecasts in Brazil and Angola suffer from much higher variations.

Even though the target setting and the planning function have been unbundled at Nors, they are still associated with one another. According to the interviewed executive business director, the rolling forecasts also serve as information used during the target negotiation process with the top management:

“The executive director, with his version of the rolling forecast, he can say why he thinks he will reach the defined target or not. In the meeting, he can justify why he reaches it or not, there is a lot of discussion, and afterwards there will be a target set based on the trend this tool gives you. [...] So the tool is the basis for decision making; it is more precise, because there are no arguments against numbers.” (Interview Nors2)

4.1.3.1.4 Resource Allocation

In terms of resource allocation, the implementation of the new management control concept strictly follows the academic literature on Beyond Budgeting implementation, which suggests to “foster a cost-conscious mindset and make resources available as needed, not through detailed annual budget allocations” (Bogsnes, 2016: 70). At Nors, every middle manager has the right to administrate the resources that are needed for day-to-day routines. But other than that, resources allocations always need the approval of the superior, who asks for a valid reason and thus creates cost-consciousness. The interviewed executive business director stated as follows:

“To change the higher level decisions of the company my approval is needed. If he wants to dismiss people, he cannot dismiss without explaining to me why he wants to dismiss. If he wants to change a process, I want to know why we should change that process, since we already have efficient processes. (Interview Nors2)

The executive business director in return needs to ask for permission to the top managers and justify his attempts to change. The new approach of allocating resources already shows some improvements, compared with the previous situation:

“And afterwards they could not detect the necessity of the investments, right? They allocated the resources to whoever came up and asked for them and it was not easy to see the trends, it was not easy to understand the necessity of the allocated amount. [...] We did not take completely uninformed decisions with zero confirmation, but had only limited information... With the new model we understood that the information we had before was not sufficient and that this resulted in some damages.” (Interview Nors 3)

4.1.3.1.5 Performance Evaluation and Rewards

At Nors, the performance evaluation and bonus structure still has a strong focus on individual performance contracts based on the defined targets. According to the BBRT Beyond Budgeting principles performance evaluation should be conducted “holistically and with peer feedback for learning and development, not based on measurement only and not for rewards only” (Bogsnes, 2016: 70), while rewards are supposed to focus on shared success against competitors, instead against fixed performance contracts (Bogsnes, 2016). The interviewed business unit’s controller describes the situation:

“We never accomplished to completely adjust the bonus system to the new model. Because it still continues to use absolute information. Because it is very complicated [...]” (Interview Nors3)

Nevertheless, improvements from the old model have been made and nowadays even the top management level of the organization has relative figures in the performance contract.

“Even the CEO has return on equity, net debt/EBITDA, equity over assets [as targets], so these are financial targets for the CEO, but they are relative...” (Interview Nors1)

Moreover, with the implementation of the new model the performance contracts were designed to support the long-term strategy and not only short-term gains.

“After this [...] top management already has a part of the bonuses for three years’ performance, and not only for a yearly performance.” (Interview Nors1)

The performance evaluation for all other levels of the company (upper management, middle management and front line employees) is based on the targets which are set annually, and thus follows the characteristics of the target setting process. In the following, the performance management of each of these three levels is analyzed separately.

On the upper management level, the executive business directors, the performance evaluation and bonus structure is based on the annually defined targets, which include relative and absolute figures.

“All the directors, whether in Iberia, Angola or Brazil, are measured by the same KPIs. They are measured by the targets. One can have the EBIT, another one the EBITDA, another one the ROCI, but all based on the targets. The performance is measured by what they agreed with on the targets.” (Interview Nors4)

As an example, the interviewed business unit’s controller described one relative figure in the executive business directors’ performance contract:

“At the level of the business directors, they are already evaluated on the basis of percentage EBITDA, in other words, EBITDA in terms of sales. Not for the fixed EBITDA, because he can reach a fixed EBITDA, but put a lot more financial effort in the company, so in percentage terms the EBITDA would be much lower. How can I explain that? Imagine there is an objective of seven million of EBITDA, selling 600 trucks. If he sells 800 trucks and reaches the seven million EBITDA, I can’t give him the bonus. [...] Ok, he reached the seven million, but the financial effort... [...] It’s just not the same thing.” (Interview Nors3)

The middle management is evaluated exclusively in relative measures, which was seen as one of the milestones at the beginning of the implementation process of Beyond Budgeting.

“For these ones [middle managers] we managed straight away to go to return on capital employed, market share, and some other variables. [...] For all middle management people.” (Interview Nors1)

The indicators included in the performance contract are partly internal, partly external benchmarks and comparisons with the previous year and are weighted according to their

importance. Appendix 2 displays an example of a business unit's performance analysis.

The relative performance evaluation in the middle management level of the company offers the new management control concept the promised flexibility and comparability. As the interviewed executive business director described, relative targets allow the company to compare to historical data taking differences in the environment into account:

"[...] and then it comes to interesting measures, such as market share. We cannot just deliver the same quantity [as before], but we aspire to be the [market] leader at all times. [...] If the market decreases and we lose the leadership, this means we are not doing a good job. Like this, we can see that the performance is not good. So all this is a search for performance." (Interview Nors2)

At the lower levels of the company the performance evaluation is conducted on the basis of more operational and absolute figures that differ according to the job descriptions.

"[...] the employees in general have an annual bonus system. This differs from one person to another. [...] For instance, a person responsible for sales has as an objective for this bonus the numbers of sold units." (Interview Nors3)

In general, the performance evaluation process at Nors gained a stronger focus on trust. This was especially displayed in the comments made by the executive business director:

"First of all, if we have competent managers, and if we believe in our managers, we cannot punish them for not reaching a simple number." (Interview Nors2)

"So nobody is punished for not reaching numbers, people can be punished for, let's put it that way, lack of performance. And lack of performance does not happen within a month. Lack of performance is associated with attitude, is associated with trust and with the actual scenario." (Interview Nors2)

Moreover, the communication between the different levels of hierarchies increased significantly. Due to the monthly rolling forecasts created within each of Nors' businesses, the performance is also discussed monthly.

"Before, we only talked once at the end of the year [...], now we talk every month." (Interview Nors3)

“And yes, there is punishment. The punishment starts from the moment when our actual results are not coherent with what we had planned and there is no plausible explanation why there is this kind of divergence. Then the person receives a feedback in order to improve and deliver the expected performance. If the person still does not deliver after having received and understood the feedback, [...] we have to dismiss this person, because we believe that all of us are penalized if one department or one person doesn’t deliver performance. But this is all structured, there is a feedback to give the person the opportunity to improve. Only if that doesn’t happen, there will be a dismissal.” (Interview Nors2)

Another important Beyond Budgeting feature that was implemented at Nors, is the internal company league, an internal benchmarking between the group’s businesses. The benchmarking is based on comparable measures, such as profitability, return on capital invested or gross margin, and is organized in two leagues: a first and a second league. A prize is awarded at the end of each year to the best business in the first league. As one of the group controllers stated:

“Every year there is a meeting where the prize is awarded to the first place in the first league. It is not a monetary award, but it is an award that is internally recognized. Because the bonus is based on the performance contract each one has... this is not about money. But they really compete against each other.” (Interview Nors4)

4.1.3.2 Implementation of the BBRT Leadership Principles

4.1.3.2.1 Purpose

The purpose of an organization has the power to influence the way employees think and act. In recent years, the missions of many companies strongly focused on financial results, such as the increase of shareholder value and, thus, lacked the clarity to pass the deep meaning of what matters in the long run (Hope and Player, 2012). At Nors, the vision clearly states the objective of being one of the world leaders in transportation and construction equipment solutions. This vision is supported by the implementation of the Beyond Budgeting concept, which was named “The Darwin project” at Nors and emphasizes the “survival of the fittest” of the company that can adapt best to external circumstances.

“We strongly believe in this sentence that says: ‘It is neither the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.’” (Interview Nors2)

The main focus of Nors’ mission is not solely set on shareholder value, but also acknowledges the value creation for customers and suppliers as well as the development of the employees. Furthermore, the performance culture and importance of trust at Nors play a prominent role in the group’s mission referred to as a “demanding attitude” and “trustful relationships” (Nors, 2017). Nors’ vision, mission and company values can be found in appendix 3.

As described by an executive business director, the strong belief in the vision and mission of the group are evident throughout the organization.

“We are very ambitious regarding the vision and the mission. We want to be the best and biggest group in presenting results to our clients, suppliers and shareholders. (Interview Nors2)

4.1.3.2.2 Values

Nors’ group values (appendix 3) include three main topics, namely (1) ambition, (2) trust and (3) talent and, thus, combine several aspects of the Beyond Budgeting principles. The first value describes the performance culture at Nors, which includes continuous improvement and the ambition to steadily strive for excellence – a very important characteristic of the Beyond Budgeting concept. This is clearly visible in a statement of the former planning and performance department director:

“It’s about having the right culture. If you have the right culture, the performance culture, then you will at least double the results, your EBITDA.” (Interview Nors1)

The second value, trust, is described in literature as one of the necessary requirements for implementing the Beyond Budgeting management control concept (Daum and Hope, 2004, Heupel and Schmitz, 2015). As already mentioned in 4.1.3.1.5, “Performance Evaluation and Rewards”, trust has gained more and more importance at Nors and functions as a control mechanism. Nors’ managers have realized that trust is the basis of

successful management, which was commented more than once during the conducted interviews:

“The results of the companies come from what the people produce. And the people produce more if they trust the manager, if they believe in what they do and if they think that their objective is achievable.” (Interview Nors2)

Trust is treasured as an achievement at Nors, which is considered the prerequisite for autonomy and decentralization. The executive business director states:

“[...] I, personally, talk daily to all the managers to understand how things are going. I tell all the managers that trust is an achievement. Because trust is difficult to achieve and easy to lose. And, if anything out of the ordinary happens and I do not get informed, there are breaches of trust. And a breach of trust leads to a break of autonomy.” (Interview Nors2)

In day-to-day business operations, the trust the executive business director puts in all of his employees is demonstrated in a rigorous open-door policy that allows any employee of the business to talk to the director personally at any time.

Apart from the trust between employees and managers, values at Nors also focus on trustful relations and partnerships with other stakeholders. The third group value, talent, underlines the importance of talent development and performance evaluation. However, no empirical insights were obtained about that third group value and can thus not be further discussed.

4.1.3.2.3 Transparency

The BBRT transparency principle suggests to make information accessible for self-regulation, innovation, learning as well as control in an organization, and to avoid restricting information to some actors only (Bogsnes, 2016).

This principle can, to a certain extent, also be found at Nors. Especially the short-term strategy, which is translated into the fifteen-months rolling forecasts, is described as much more transparent than in the previous management control system. This is due to the more transparent information about the influence of external effects on the stated performance and the thereby resulting data about individual and group performance.

“With this system, since it is dynamic, it is possible to achieve an understanding in a much more transparent way, because the numbers speak for themselves. Of course, we analyze the market, we have a certain [market] knowledge to say if the trend will reverse, but all people involved in the process are informed of what we can possibly achieve. So this is dynamic and transparent.” (Interview Nors2)

Not only the executive director, but also all managers can, at any given time, consult the business trends and the group’s performance in comparison with the market by entering Nors’ IT-software. This allows every part of the company to have a clear understanding about the ongoing business and supports discussions with valid, data-supported arguments, which prevent budget games.

“This demonstrates [...] if the company seizes the opportunities or not. Because if the trend goes in one direction and the result goes in another, the problem is not the market, it is not external, it is internal. So, we left the subjectivity in the discussions and justifications behind. Who comes up with “the best” justification will no longer get the easiest target to achieve.” (Interview Nors2)

4.1.3.2.4 Organization

In terms of the organization principle, which suggests to “cultivate a strong sense of belonging and organize around agile and accountable teams” and to “avoid hierarchical controls and bureaucracy” (Bogsnes, 2016: 70), Nors has already made improvements but has not yet reached the ultimate state.

The sense of belonging can already be felt in the group, which is demonstrated in a statement given by the executive business director:

“[...] the people spend more time in the company than at home, so the atmosphere has to be good and the people have to do what they believe in. If a person does not believe in what he is doing, there is no reason to be with us anymore. [...] And the people even buy and use the t-shirts of the company.” (Interview Nors2)

Nonetheless, as the former director of planning and performance management mentions, the group still lags behind in terms of the teams’ accountability.

“It's very hard to change people. This step is still missing at Nors. We already have empowerment but we still haven't reached accountability.” (Interview Nors1 – slightly changed quote)

The desired accountability is difficult to achieve taking into account that Nors has not yet fully abolished individual performance evaluation and hierarchical controls, as shown in the following statement. The complete abolishment of individual performance evaluation and hierarchical control is however very unlikely to be reached during the next years due to the conservative organizational culture that is still rooted in the company.

4.1.3.2.5 Autonomy

Similar to the target setting as well as the performance evaluation and rewards, the degree of autonomy differs across the hierarchical levels of the company. At the upper management level (the executive business directors), autonomy can be considered as moderate. As long as the predefined target is met, top management gives upper management as much free hand as possible.

“[...] top management says: ‘We want to obtain this’, so then you can achieve this by the means you want, but you have a target.” (Interview Nors2)

The executive business directors cannot decide freely on every decision, but gained a certain degree of autonomy through the rolling forecasts that provide a tool to justify investment decisions or adjustments in the annual targets, as discussed in an interview with the business unit's controller:

“They don't have the freedom to take the decisions, they always need the [upper] approval. [But] they can justify their need of the resources more easily.” (Interview Nors3)

In the relationship between the upper management (executive business directors) and the middle management (business line managers), the degree of autonomy of the latter can also be described as moderate. The biggest change that has been noticed is the decrease in the level of details that are discussed regularly. The executive business director indicated that a detailed discussion is only needed when deviations from the forecasted results emerge. In that case the discussion does not attempt to control the business line managers, since the business is conducted under the premise of trust in the collaborators'

work, but tries to find potential causes for classifying the deviation as an opportunity or a threat. Apart from this, the preset targets are only seen as a reference for the business line managers, which they are allowed to surpass or to fall behind. As an example, the executive business director described a case of autonomy in one of his business' subsidiaries:

“[The target] exists to serve as a reference point. For example, I tell my manager, let's say, he has a budget to spend one thousand Reais in the energy bill and five hundred Reais in the water bill. But he decides to offer a promotion to wash all trucks for free to boost revenues. The only calculation he needs to make is to decide where to reduce expenses to make up for the higher water bill. [...] So this is all about the idea of him having a reference to define his actions without destroying the overall strategy.” (Interview Nors2)

In the lower levels of the organization the degree of autonomy can be considered as very low. Due to absolute targets, performance evaluation on the basis of absolute figures and no participation opportunities in the resource allocation process, the scope of action for the front line employees is very limited, which is one of the characteristics of the old, traditional budgeting concept. The persistent lack of autonomy in the organization was admitted to be a weakness in the implementation of the Beyond Budgeting concept at Nors.

“The Beyond Budgeting model, in order to work perfectly, requires a perfectly decentralized structure, right? Here at Nors group we don't have a perfect decentralization yet, because we still have a strongly enrooted hierarchical culture.” (Interview Nors4)

According to one of the group controllers, the issue starts with the behavior of the top management, that should empower the executive business directors to set the annual targets themselves and trust them to take the right decisions rather than dictate targets:

“[...] there is still a bit missing. Because the CEO still sets the targets even though he shouldn't. He should give autonomy to these ones [executive business directors]. The directors should set the targets themselves.” (Interview Nors4)

Moreover, the break that exists in terms of autonomy between the different hierarchies was acknowledged by a group controller:

“If you don't have a certain level of decentralization, if you don't pass the right message, the model won't work. It passes until a certain level, which is this one [middle management] for us, but then it stops. And for the model to work all people need to understand, right? If the message is not passed correctly, we will have a break there.” (Interview Nors4)

4.1.3.2.6 Customers

The BBRT customer principle suggests to “connect everyone’s work with the customer needs” and to “avoid conflicts of interests” (Bogsnes, 2016: 70). This principle is emphasized in the group’s mission statement but other than that, according to the results of the analysis of the interviews, it does not seem to be a main priority in the case company.

4.2 DISCUSSION

In general, it can be concluded that four years after the implementation of Beyond Budgeting was initiated, the model has already achieved some success. Although the implementation at first had been triggered by a financial crisis, the system already proved to be useful when the company faced the next big challenge: economic recessions in Brazil and Angola starting in 2014 and 2015, respectively. Caused by the political instability in Brazil and low crude oil prices in Angola, Nors felt the impact of the crises but was able to react to the changes more quickly due to the dynamic provided by the Beyond Budgeting concept, as referred to by the executive business director:

“The Beyond Budgeting model [...] is a model that helps the companies to adapt to the existing macroeconomic context. In markets such as Angola and Brazil - as these are very volatile markets – Nors has been feeling a real crisis. This model [...] helped the company to easily adapt to these economic changes.” (Interview Nors4)

The following chapter describes the distinctive way of Beyond Budgeting implementation, which enabled the case company to react to environmental changes more easily as outlined above. In the case company, this way of implementation refers to the decoupling of the lowest hierarchy during the implementation process. It discusses how this distinctive feature allowed the coexistence of stability and change and, thus,

promoted a long-term gradual change process. In particular, it identifies two factors that caused the decoupling, the anticipated resistance on the lower levels and the strong hierarchical characteristics of Nors, which led the way to more favorable conditions for a future implementation in the remaining parts of the organization.

4.2.1 A LOOSELY COUPLED BEYOND BUDGETING SYSTEM

As the description in the foregoing chapter displays, not all of the principles of Beyond Budgeting are implemented to the same extent at the different organizational levels at Nors. Especially striking is the fact, that there is a noticeable difference in the implementation between the organizational hierarchies, as presented in the following figure.

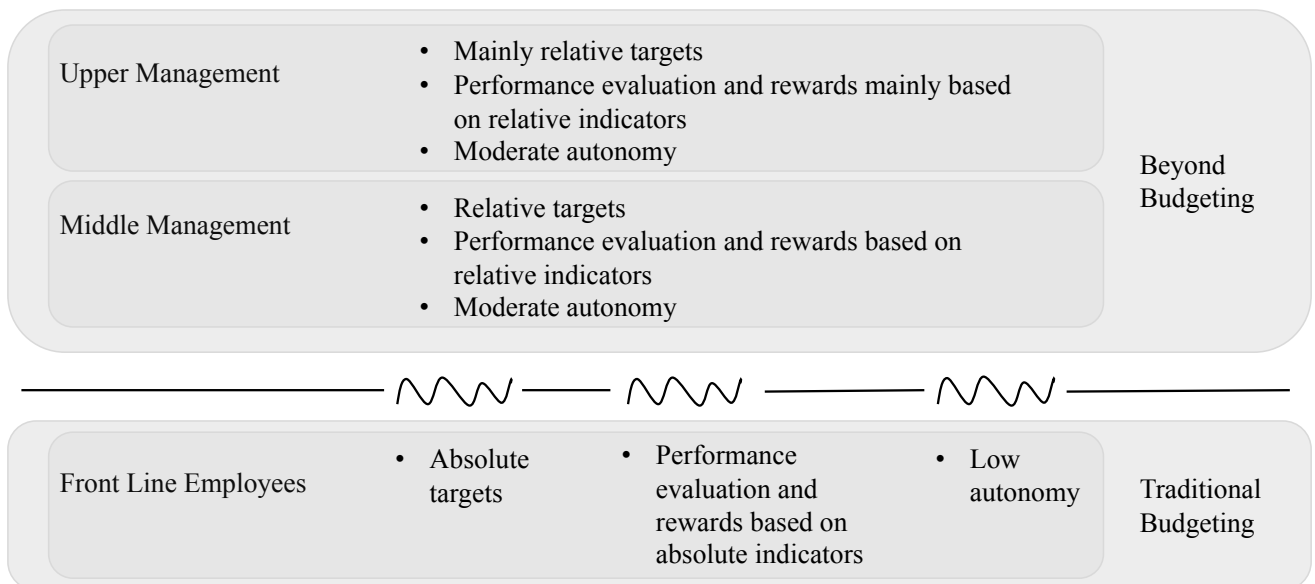


Figure 3: Hierarchical Break in Beyond Budgeting Concept

As displayed in the figure, the Beyond Budgeting concept is so far only implemented in the upper and middle management level of the company, whereas the system used in the lowest hierarchy shows the characteristics of the old, traditional budgeting model. This becomes most obvious with regard to three of the BBRT principles, namely (1) target setting, (2) performance evaluation and reward setting, and (3) autonomy, which was also mentioned several times throughout the interviews:

“We can say that BB principles are mainly applied to the [upper] management. The middle management is making some support for decisions at the top management and are [...] auxiliaries for what the [upper] management decides.

[...] The front line employees do not have any kind of interaction with the BB principles.” (Interview Nors6)

“It's a work in progress, to go down the hierarchy until we get to the shop floor, to the people that are connected with the customers and so on.” (Interview Nors1)

While targets in the upper and middle level are mainly set on the basis of relative values (with the EBITDA in the upper level as an exception), in the lowest hierarchical level the targets are still based on absolute values, following a typical characteristic of the traditional budgeting model. This analogously accounts for the performance evaluation and rewards, which are based on the targets of each hierarchy. Moreover, the lowest hierarchy has a low-level autonomy, whereas the middle and upper level managers enjoy more freedom and flexibility in their actions.

As described in the literature review, loose coupling assumes that an organization consists of different elements, seen as responsive but preserving their own identity and showing physical or logical separateness (Weick, 1976, Orton and Weick, 1990). The different elements in the case company (upper and middle management on one side and front line employees on the other side) are undoubtedly responsive elements, since they form parts of the same organization and as there are direct flows of communication and resources between them, they show an overall great interdependency. Although there is no physical separateness to be found between the hierarchies, the logical separateness is evident. The literature emphatically describes the Beyond Budgeting concept as a coherent management model which should not be used in separate pieces, since the mix of old and new principles would lead to the failure of the concept (Hope and Fraser, 2013). Thus, the implementation of Beyond Budgeting in the higher hierarchical levels while simultaneously retaining the traditional budgeting concept in the lowest hierarchy represents the “absence of linkages that should be present based on some theory” (Weick, 1976: 5), in this case the Beyond Budgeting theory.

Several advantages of loosely coupled systems have been pointed out in 2.2.3.2. As mentioned above, the most relevant advantage for this research was identified by Glassman (1973) in one of the early contributions to the loose coupling literature. Glassman (1973) stated that loose coupling allows certain parts of the organization to persist, while others change or have to change due to external changes. At Nors, the loose

coupling during the implementation of the new system enabled the coexistence of stability and change, by allowing the lowest hierarchy of the organization to retain the traditional budgeting system, while the rest (upper part) of the organization underwent radical change to adapt to external (and internal) pressures and challenges.

Weick (1976), Dubois and Gadde (2002) further elaborated that loose coupling provides a buffering mechanism against unfavorable circumstances in the external environment. The Nors case also provides an example of a buffering mechanism against unfavorable circumstances, but not regarding the *external* environment. Instead, it illustrates the potential of loose coupling identified in this implementation to address unfavorable conditions *within* the company, on an intra-organizational level, which might have led to the implementation failure if loose coupling had not been adopted. The two factors that have led to this situation and ultimately made the implementation of Beyond Budgeting possible, albeit only partially and within a loosely couple system, are presented in the following two chapters.

4.2.2 FEARED INERTIA ON LOWER HIERARCHICAL LEVELS

One factor that promoted the design and emergence of a loosely coupled system was the anticipated resistance against change at the lower levels of the organization, which was feared to eventually lead to inertia and to the failure of the overall change process. According to the institutional view, inertia may emerge when routinized and institutionalized features are challenged by new rules (van der Steen, 2009).

As described in subsection 2.2.2, inertia is “a persistent organizational resistance to changing architecture” (Hannan et al., 2004: 214), which can, according to Burns and Scapens (2000), be divided in three different types:

1. Formal resistance due to competing interest;
2. Resistance due to a lack of capability (knowledge and experience) unrelated with competing interests to cope with the change; and
3. Resistance due to established ways of thinking and doing, embodied in existing routines and institutions.

All three different types of potential resistance could be found in the case company and supported the decision of implementing a loosely coupled Beyond Budgeting system. Even though the potential resistance was not fully acknowledged by all the interviewees

from the beginning, throughout the interviews some of the aspects of potential resistance were uncovered.

The first type of resistance, the resistance due to competing interests, was anticipated in the case company because of the variety of “budget games” that were played when the old system was still in place. Employees were thought to be afraid of losing their bonuses and consequently to resist against the new model, as displayed in the following statement by the former director of planning and performance management:

“So the [...] people, they didn't like to lose the budget, because this was a game and they knew how to play the game.” (Interview Nors1)

This first type of resistance, however, applies to all different parts of the organization and is therefore not considered as the strongest reason for the implementation of the Beyond Budgeting concept as a loosely coupled system.

The second type of resistance, the potential resistance due to the lack of capability (knowledge and experience) to cope with the change, applies exclusively for the lower levels of the organization and was mentioned in several interviews. Being questioned whether relative targets could also be applied to lower levels of the organization during one of the university presentations, the former director of planning and performance management answered the following:

“At the business level maybe [it is possible]... but below that... Commercial guys don't know anything about marketing [strategies].” (Presentation Pres2)

When elaborating about this issue in a follow-up interview, he further explained that most front line employees that work in the commercial area lack a higher education in economics or management and thus “just know how to sell” (Interview Nors5), which makes it difficult to understand more abstract approaches, such as the Beyond Budgeting model. The interviews with one group controller and the executive business director show similar findings, stating that:

“it is really complicated for them [front line employees] and they don't understand” (Interview Nors3)

and that the front line employees

“lack the maturity to deal with the information” (Interview Nors6).

The decision to only enable autonomy in the upper and middle management was also taken intentionally due to doubts on the ability of lower level employees to deal with the decentralization.

“Also you cannot give all the autonomy to the lower levels at one time, because you don't know them, you really don't know them, you don't know if they are able to work with all the autonomy.” (Interview Nors5)

For some regional areas of the organization, such as Angola and Brazil, the interviewees mentioned a great gap within the educational level of employees, which further emphasizes the anticipated difficulties.

“In Brazil there is a very large education gap. [...] As a matter of fact, we have a low intellectual level.” (Interview Nors6)

The third type of anticipated resistance, due to established ways of thinking and doing, embodied in existing routines and institutions, became very obvious during the interviews. As mentioned by a group controller, the mindset of the salespeople who focus on sales quantities instead of value creation represents one of these reasons for resistance as illustrated in the following statement:

“A commercial director wants to sell. Wants to sell, sell, sell. And he doesn't care about the margin. For him, it is of a greater interest to sell another fifty trucks.” (Interview Nors4)

Another group controller and the former director of planning and performance management underlined the same anticipation about resistance due to established ways of thinking and doing:

“[...]change generates fear. The majority of the people like to do the same things one day after another.” (Interview Nors7)

“Because if you are working for twenty years with the hierarchical system, they are like children, they have to learn how to walk alone.” (Interview Nors5)

The statements acknowledge the fact that the routines that had existed in the organization during the last twenty years could potentially influence the acceptance of the new model and that, hence, a profound change in the people's mindset would be needed to change the current state. Since it was anticipated that such change would be impossible to achieve

in the short term within the lower level of the hierarchy, the adoption of a loosely coupled Beyond Budgeting system, restricted to the upper levels and enabling the lower levels to remain unchanged, through an only partial implementation, seemed to be the best way to enable the start of the change process.

4.2.3 HIERARCHICAL ORGANIZATIONAL STRUCTURE

The second factor underlying the emergence of a loosely coupled Beyond Budgeting system was the strong hierarchical culture at Nors. As a very traditional company, the Nors Group's top management holds significant power over the multiple layers of the organization.

This fact strongly encouraged the former planning and performance management director to implement Beyond Budgeting in a top-down change approach, first approaching the top and upper management, subsequently passing the model down to the middle management, while conserving the status quo in the lower level of the organization. In addition to the first factor regarding the potential resistance, the strong hierarchical culture was also considered critical for the success of the change approach. The former director of planning and performance management stated:

“Because it is a chain of implementing strategy, so you have to influence behavior on a hierarchical chain. [...] Then you go down on the line and it's the same conversation [...]. So you need to take care of the people, and influence the people, that can change the outcome. Usually, the lower levels of the teams, they are more operational, so it is not that important... [...] With Beyond Budgeting you start the good behavior at the top level.” (Presentation Pres2)

One group controller further justified the chosen implementation method by referring to the power structure that to be too weak in the lower levels for having enough impact to induce a cultural change:

“[...] when he decided to implement such a change to the organization, it was advisable not to do everything at the same time. So you start in one level and maybe with time you are going to spread it all over the organization. And of course, if you decide to do it, you must start it from the top, not the bottom. [...] Because the bottom does not have influence or power to do it from the bottom to the top. Mainly because of the hierarchy...” (Interview Nors7)

The same interviewee further emphasized the top management's task to influence the employees' behaviors, and therefore the only safe option according to him was to start from the top to ensure more favorable conditions for the implementation of Beyond Budgeting.

"If you have to bet on one horse, you are going to bet on the one that runs faster."

(Interview Nors7)

4.2.4 USAGE OF LOOSE COUPLING BETWEEN HIERARCHIES FOR MANAGEMENT CONTROL CHANGE

According to the literature, loose coupling can act as a buffering mechanism against unfavorable external circumstances (Dubois and Gadde, 2002). At Nors, the implementation led to a loosely coupled system with the purpose to provide a buffering mechanism. But, differing from the literature insights, the main purpose of loose coupling at Nors was not the protection against unfavorable circumstances in the external environment, but against unfavorable circumstances at the intra-organizational level.

By decoupling the lowest hierarchical level during the implementation of the new system, Nors was able to protect the ongoing change process against negative reactions in this particular part of the organization, which were thought to potentially lead to the failure of the management control change. The initial introduction only in the upper and middle management levels enabled the system to first gain acceptance in the more powerful parts of the company, before spreading the concept to the rest of the organization.

From a research perspective, it is important to emphasize that neither the former director of the planning and performance management department nor the involved board members presented any conscious knowledge about the concept of loose coupling and its use. Yet the decision to implement Beyond Budgeting as a loosely coupled system was taken, and indeed the implementation has already proven to be successful, as demonstrated in the following statement by the group controller:

"Because of Beyond Budgeting we had the agility to change things much more quickly than without these principles. Of course we would prefer not to have had the financial crisis and the crises in Brazil in Angola, but, well, we didn't control that, they are context variables and we needed to deal with them. I think we dealt with them in a very agile way [...]." (Interview Nors7)

Nevertheless, Nors still intends to implement the concept in the remaining parts of the organization.

“The Beyond Budgeting model is supposed to be in place in the entire company. It will only work at 100% when it is implemented in all hierarchies.” (Interview Nors4)

In 2017, almost five years after the implementation of Beyond Budgeting has started, the system is already established in the upper and middle levels and efforts are taken to pass it to the lower levels, as a quote from a group controller uncovers:

“I can only think of trainings [for them to accept the change], they have to be more autonomous and we have to insist in trainings. [...] Now they already start to understand. But in the implementation phase two or three years ago, it would have been very difficult.” (Interview Nors4)

“It is a continuous process and we have to support them to go down to the lower levels. And how do we do this? Through trainings and persistency.” (Interview Nors4)

Summarizing, it can be said that Nors has now passed to a second phase of the implementation process of Beyond Budgeting. While the first phase included convincing the top management, implementing the necessary tools and gaining acceptance in the upper and middle management, the second stage will now make use of the more favorable conditions that were created to spread the system through the remaining parts of the organization. The adoption of a loosely coupled system during this partial implementation was key not only to succeed in the first phase but also to gather the resources (experience and top management support) required in a future second stage of Beyond Budgeting implementation.

5 CONCLUSION

This chapter presents the main conclusions of the work. Section 5.1 summarizes the study's main findings, section 5.2 explains the theoretical contributions, section 5.3 presents the limitations of the research and, finally, section 5.4 provides indications about potential future research topics.

5.1 SUMMARY OF FINDINGS

While initially having planned to extend literature on Beyond Budgeting implementation by presenting another case study on the implementation process, I discovered during the research process that the case at hand offers a much more interesting research opportunity.

Based on the triangulation of data collected from interviews, university presentations and documentation, I was able to identify a distinctive way of Beyond Budgeting implementation. This is, at first, not a very surprising discovery. As mentioned above, the academic literature argues that there is no universal approach of Beyond Budgeting implementation that is applicable for all organizations, but the approach rather needs to be adapted to the company's specific needs and prerequisites. What is strikingly interesting in the implementation process of the case company is the fact that Nors, in the need to balance control (that was before provided by traditional budgets) and flexibility to react to external changes (provided by Beyond Budgeting principles), decided to decouple an entire hierarchy from the Beyond Budgeting implementation in order to avoid tensions and difficulties and thus created more favorable conditions for a gradual change process.

During the research, two factors were identified as promoting the implementation of Beyond Budgeting as a loosely coupled system: The anticipated resistance in lower levels of the organization due to institutionalization of the traditional budgeting system and the strong hierarchical organizational structure of Nors. The potential resistance was not fully acknowledged by all interviewees from the start, but insights about both factors were ultimately identified in the case interviews. This reconfirmed the right choice of using semi-structured interviews as a research method to be suitable, as it allowed me as the interviewer to adjust the dialogue and to get a more holistic impression of the situation – something that would not have been possible in highly structured interviews.

5.2 THEORETICAL AND PRACTICAL CONTRIBUTION

The present case study attempts to make a modest contribution to the academic literature in several different ways:

- (1) Due the relatively young age of the Beyond Budgeting management control concept, there is an existing gap in case studies concerning the long-term effects of implementation processes, to which this study contributes.

This research provides evidence from one of the biggest players in the Portuguese automobile distribution business, which is particularly interesting as it was also the first company in the Iberian Peninsula to implement the concept. As two case studies had already been written about the case company in 2013 and 2015, this study provides continuity to a rich set of data, enabling a longitudinal, long-term view of the developments of this unique Beyond Budgeting implementation.

- (2) The study extends the literature on Beyond Budgeting implementation by presenting a new way of implementing Beyond Budgeting successfully in a very distinctive fashion, which has not yet been described.

The decision to decouple an entire hierarchy from the Beyond Budgeting implementation in order to avoid tensions and difficulties led to a more gradual change process at Nors. Distinctive implementation approaches are a common phenomenon, since a new management control system, such as Beyond Budgeting, needs to be adapted to the company's specific needs and prerequisites. Several distinctive approaches have been identified in the literature (see 2.1.3.3, "Implementation of Beyond Budgeting"); nonetheless the implementation approach used at Nors presents a very particular situation, in which the risk of resistance was identified as a potential obstacle to implementation, and avoided through loose coupling.

- (3) The decoupling of the lowest hierarchy at Nors was used as a buffering mechanism against unfavorable conditions in the organization itself, in an intra-organizational environment. This finding extends the literature on loose coupling, which had, up to date, only recognized loose coupling as a buffering mechanism against unfavorable conditions in the environment.

The buffering mechanism mentioned in the academic literature (Dubois and Gadde, 2002) focuses on the fact that the organization as a whole does not have to respond to each little change in the environment when a part of the organization is decoupled. In the case at hand, changes in the environment recommended, in theory, the change of the entire organization to a Beyond Budgeting system. However, the decoupling served as a buffering mechanism against negative reactions in a particular part of the organization to the implementation of the new management control system. By implementing Beyond Budgeting in the upper and middle management first, the implementation process was able to introduce the desired changes in this area of the organization, enabling them to react to changes more adequately. On the other hand, the lowest hierarchy was allowed to remain decoupled, without adopting the new approach which was thought to be too complex for this area to deal with. Finally, it was also examined that the change was implemented in the organizational levels with the highest power, which is important to promote the planned future implementation of Beyond Budgeting in the rest of the organization.

- (4) While most studies about loose coupling in management accounting change focused on the loose coupling between certain elements (e.g. rules and routines) to explain the simultaneous existence of stability and change as well as the possible change to a new management accounting system, this study shows how stability and change can coexist in different hierarchies of an organization.

The case at hand sheds light on the possible coexistence of stability and change during a gradual change process. It describes how change in the management control system can only affect the upper hierarchies of an organization, while the lowest hierarchy is characterized by a persistent stability as it continued to work in the same way as before.

From a practical perspective, this study helped the case company to create awareness of the status of implementation of the Beyond Budgeting concept. Since neither the former director of the planning and performance management department nor the involved board members presented any conscious knowledge about the concept of loose coupling and its use, the study can give relevant insights on how the distinctive way of implementation is perceived by different employees in the organization. It can support the on-going implementation process by providing inputs for future decisions. Furthermore, other

companies can take advantage of the information provided to avoid or anticipate problems that may arise during Beyond Budgeting implementation in their organization. Another practical contribution of the case study concerns the adjustments to the system that were made two years after the implementation was initiated. Allowing the employees to go partially back to their comfort zone, providing some information which had been initially withdrawn, while continuing to provide the new Beyond Budgeting information, actually accelerated the introduction of the new concept instead of putting it to a risk. This insight emphasizes the fact that when implementing a new management control concept, change agents should not necessarily be too rigid and are advised to occasionally deviate from the original plans to make people more comfortable and succeed in the long run as people will actively promote and live the new concept.

5.3 LIMITATIONS

One limitation observed in this research is the reliability of the data collected. Even though the case study method allows the researcher a profound insight into the organization, the research still relies on the opinions and views of a small group of people, which can be subject to cognitive biases. Since the case study could not draw on direct observations, the author had to be very careful when analyzing the conducted interviews. However, tape recordings, accurate transcriptions of the interviews and the comparably long timeframe in which the university presentations and interviews took place (more than one year), reduced this risk. Moreover, the change agent, the former director of planning and performance management at Nors, was interviewed twice - once in the beginning of the research and once towards the end of it. This allowed to validate findings from the remaining interviews and provided the opportunity to elaborate and further clarify on topics that only came up during the research process. Nonetheless, the reliability of the data cannot be fully ensured, as it is common in this kind of studies.

Another limitation is the issue of generalization. The case study method is intended to provide an in-deep insight into one specific case company. Although the findings can, to a certain extent, be relevant in other organization, the findings cannot be universally generalized, given the case specificity.

5.4 FUTURE RESEARCH SUGGESTIONS

All in all, this research led to several suggestions for further research. First of all, there is still room for further research within the case company. As the change process at Nors is still on-going and is believed to still last for several years, the insights explored in this work can be further investigated at a later point in time, to complement the description of the earlier implementation phases to a an analysis of the entire implementation process. This may shed more light on the implications the distinctive way of implementation has on the success of the new management control concept and how the lowest hierarchical level of employees is, and will be, involved.

Another interesting topic worth investigating within the case company could be to analyze how the change process was influenced when the change agent, in this case the former director of planning and performance management, left the company four years after the implementation of Beyond Budgeting had been initiated.

Furthermore, case studies in other organizations in similar situations could illuminate to which extent the findings of this study are unique or shared by other organizations. If the phenomenon turns out to be common among several organizations, multiple case studies in different industries or regions could help to understand the common underlying drivers of the development.

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APPENDICES

Name _____

- ▼ ☒ BBRT Principles
 - ☒ 1 Rhythm
 - ☒ 10 Organization
 - ☒ 11 Autonomy
 - ☒ 12 Customers
 - ☒ 2 Targets
 - ☒ 3 Plans and Forecasts
 - ☒ 4 Resource Allocation
 - ☒ 5 Performance Evaluation
 - ☒ 6 Rewards
 - ☒ 7 Purpose
 - ☒ 8 Values
 - ☒ 9 Transparency
- ☒ Implementation Process
- ☒ Local Adaptation
- ☒ Reasons for Change - Weaknesses
- ☒ Resistance to Change - Potential Resistance
- ☒ Results Success

Appendix 1: NVivo Classification Knots

Business Unit's Performance Analysis Example

KPI	Weight	Points
Growth period n vs. n-1	20	50
Growth vs. Competitors	20	40
Profitability period n vs. n-1	20	60
Profitability vs. Competitors	20	50
Debt period n vs. n-1	10	80
Quality factors period n vs. n-1	10	60
Overall Score		54%

Appendix 2: Performance Analysis Example

VISION	MISSION	VALUES
 To be one of the world leaders in transport and construction equipment solutions.	 Create prosperity for our customers and suppliers in order to develop our employees and add value for our shareholders, through trustful relationships built on a demanding attitude and delivery of the best solutions	 AMBITION We aim to grow and lead, anticipating opportunities and striving for excellence and continuous improvement in the solutions we deliver. TRUST We establish trusting and partnership relationships with our stakeholders, based on the competence and quality of our work and an attitude guided by responsibility, stringency, transparency and rigour. TALENT We actively seek to attract, retain and develop talent, valuing the merit and performance of our employees and our teams.

Appendix 3: Vision, Mission and Values at Nors