

# **Is Beyond Budgeting peculiarly Scandinavian, and if so what does it entail for its applicability across the world?**

*A Cultural Analysis of Beyond Budgeting*

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This thesis was written as a part of the master program at NHH. Neither the institution, the advisor, nor the sensors are - through the approval of this thesis - responsible for neither the theories and methods used, nor results and conclusions drawn in this work.



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# Summary

This thesis is a cultural analysis of the management accounting innovation and general management model *Beyond Budgeting*.

*Beyond Budgeting* makes the claim of universalism. This is controversial as other concepts have presumed the same and found much criticism on the grounds that they are culturally specific. *Beyond Budgeting* is different. It has originated from practice rather than academia and is built on cases from several countries. Perhaps this has eliminated peculiar cultural traits?

Alas, matters are not that simple. In the thesis it is shown that one region, more than any other, has influenced and inspired *Beyond Budgeting*. This region is Scandinavia which in Hofstede's framework is characterised by low power distance, weak uncertainty avoidance, individualism and femininity. It is found that *Beyond Budgeting* portrays the same cultural dimensions as Scandinavia, although it is seemingly neutral in the dimension of individualism versus collectivism. The claim of universalism is thus invalidated.

Nevertheless, *Beyond Budgeting* has spread beyond Scandinavia and boasts many successful cases. This is taken as evidence that *Beyond Budgeting* can be applied worldwide. But, the approach and implementation will require adaptation and adjustment. This thesis shows examples of how the cultural traits of *Beyond Budgeting* manifest themselves in Scandinavia, North America and the Germanic countries. The major finding is that North America has taken a radically different approach towards *Beyond Budgeting*.

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# 1. Introduction

## 1.1 Report Background

Multinational companies (MNCs) have become a major force in the global economy over the last decades. In 2003 there was 60 000 MNCs with over 800 000 foreign affiliates which generated about half of the world's industrial output and accounted for two-thirds of world trade (Gooderham & Nordhaug, 2003). A crucial challenge faced by managers in MNCs is how to manage foreign subsidiaries that are increasingly located in different cultural contexts. Many MNCs apply organisational designs, systems and procedures in their foreign subsidiaries that are derived from, and proven successful in, their own culture. Pay-for-performance, for example, has been successful in the US and the UK, but has often been experienced as difficult to apply in Scandinavia, Germany and large parts of Asia (Gooderham & Nordhaug, 2003). The assumption behind the transplantation of management practices is that management theories are universal and what works well in one context will work well in another. Hofstede (1980b) was among the first to not only question this assumption but to do so on the basis of a theoretical analysis.

Hofstede focused particularly on American theories of motivation, leadership and organisation, and their applicability in other cultural contexts. McClelland's (1951; 1961; 1984), Maslow's (1954; Maslow et al., 1998) and Herzberg's (1959; Herzberg et al., 2008) motivation theories are in Hofstede's view peculiarly American. They all assume a universal achievement motive. For example, the highest level on Maslow's pyramid is the need for "self-actualisation". Hofstede argues that the concept of the achievement motive presupposes a) a willingness to accept risk (weak uncertainty avoidance) and b) a concern with performance (strong masculinity). This combination is a feature peculiar to the US and other Anglo-Saxon cultures.

In the world of management accounting Kaplan and Johnson sparked a debate in 1987 with their book *Relevance Lost*. Their main argument was that management accounting systems in Western countries no longer provided relevant information for decision making and control. The times had changed. In the wake of the debate followed several management accounting innovations. Among the survivors the most prominent are Activity Based Costing (ABC), Strategic Management Accounting (SMA), Economic Value Added (EVA),

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the Balanced Scorecard (BSC) and Value Based Management (VMA). They are all of Anglo-Saxon origin.

A decade passes and *Relevance Lost* becomes relevant again. This time the debate is initiated by the Beyond Budgeting movement. They claim that the reason for the *irrelevance* of management accounting systems is budgets – they are inherently flawed and should be removed (Hope and Fraser, 2003a). Johnson and Kaplan focused their criticism toward how cost calculations were performed and how external reporting was conducted – not towards the budgets themselves. Consequently, the management accounting innovations that appeared in the wake of the first *Relevance Lost* debate integrate budgets. Beyond Budgeting proposes a concept that they claim will make management accounting systems relevant again, and further increase the efficiency of many of the management accounting innovations that have seen the light of the day following *Relevance Lost*.

Beyond Budgeting is a management accounting innovation, and a general management model. It makes the exact same presumption that Hofstede criticised American management systems for: *universalism* (Hope & Fraser, 2001; Bogsnes, 2010). The book *Beyond Budgeting – How Managers Can Break Free from the Annual Performance Trap* (Hope & Fraser, 2003a) can be viewed as the synthesis of Beyond Budgeting. The authors, who coined the term of Beyond Budgeting, are British. But, this concept was not born by the world of academia – it originated from practice. The cases that Beyond Budgeting builds on are taken from several countries. As such the origin and thus the cultural context cannot automatically be ascribed to the United Kingdom. Perhaps this frees the concept from cultural interference and validates the claim of universalism.

Nonetheless, this thesis takes a sceptical approach and suspects that Beyond Budgeting is formed by specific cultural context. As the observant reader will have noticed from the title page the cultural context in question is Scandinavian. The reason for this suspicion is that there seems to be a disproportional amount of Beyond Budgeting companies and personalities from the Scandinavian countries. This thesis will investigate if Beyond Budgeting can be claimed to be of Scandinavian origin, and if so – have the Scandinavian culture made imprints on Beyond Budgeting that endangers the claim of universalism?

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## 1.2 Problem Statement

### **IS BEYOND BUDGETING PECULIARLY SCANDINAVIAN, AND IF SO WHAT DOES IT ENTAIL FOR ITS APPLICABILITY ACROSS THE WORLD?**

In order to avoid confusion, the word *peculiar* in this statement is not meant as diverging from the normal, i.e. strange. Its intended meaning is cultural traits that characterise one country or region and distinguishes them from others. Its use is due to an attempt to be consistent with the terms employed by Hofstede.

To answer the problem statement it will be necessary to determine some more specific research questions. These are:

1. Is Beyond Budgeting of Scandinavian origin?
2. What are the cultural peculiarities of Scandinavia?
3. Can these cultural peculiarities be found in Beyond Budgeting?
4. How does Beyond Budgeting's cultural peculiarities manifest across the world?

## 1.3 Relevance

If the assumption that the principles behind Beyond Budgeting are universal is proved to be correct, the implication will be that the concept is applicable across all cultures. Companies that want to export the concept to foreign subsidiaries, or companies outside Scandinavia that want to implement Beyond Budgeting, can safely do so with negligible cultural interference.

If Beyond Budgeting is not universal this thesis will provide valuable insight to cultural aspects that have an effect on the implementation and efficiency of Beyond Budgeting in different cultures. This will allow practitioners to better anticipate and foresee potential problems that may arise in other cultural contexts. Implementation can be adapted to increase the efficiency in the cultural context.

This thesis further provide insight into the role that culture can play in the diffusion and transformation process of management systems and should as such be relevant for diffusion researchers.

## 1.4 Disposition

The thesis is structured into seven chapters preceded by a preface and a summary. The first chapter is the introduction. The second chapter contains the theory that the thesis builds on. It has four main subsections which present Beyond Budgeting, Hofstede's cultural dimensions, cultural clustering and a literature review. The third chapter outlines the methods used and a discussion of validity. The fourth chapter contains empirics and analysis. This chapter is structured into three main sections that treat the origins of Beyond Budgeting, an analysis of Beyond Budgeting with regard to the cultural dimensions, and manifestation of Beyond Budgeting's cultural traits. The fifth chapter contains the thesis' conclusion and ideas for further research. The sixth and seventh chapter are the references and the appendix respectively.

## 2. Theory

*This chapter presents the theory this thesis builds on and introduces central concepts and definitions. The first part concerns Beyond Budgeting. The second seeks to clarify what is meant by culture in this thesis. The third part presents Hofstede's framework for cultural dimensions. In this part replication of his studies, criticism and alternative frameworks for national cultures are also given attention. The fourth part presents the rationale behind the clustering of culturally similar countries. The fifth part provides a review of studies that have incorporated Hofstede's framework in connection with management accounting and their findings. The chapter is closed with a summary.*

### 2.1 Beyond Budgeting

There is not an abundance of definitions of Beyond Budgeting available. Below there are two and this thesis will provide a third in section 2.1.6.

*[Beyond Budgeting is] a set of guiding principles that, if followed, will enable an organisation to manage its performance and decentralise its decision-making process without the need for traditional budgets. Its purpose is to enable the organisation to meet the success factors of the information economy (e.g. being adaptive in unpredictable conditions). Hope & Fraser (2003a:212)*

*"Beyond Budgeting" is a set of performance management principles whose adoption leads to more dynamic performance management processes that enables enterprises to be more responsive to opportunities and change and thus create more value. It is a management model that enables greater devolution of responsibility that leads to increased employee and customer satisfaction and superior value creation. Steve Player (BBRTN, 2010)*

#### 2.1.1 A critique of budgeting

Beyond Budgeting lays its foundation on a critique of budgets. This is evident in the rhetoric used in the titles of papers presenting Beyond Budgeting. Some examples are: [Budget is] *An unnecessary evil* (Wallander, 1999); *Who needs Budgets?* (Hope & Fraser, 2003e); *Budgets: The hidden barrier to success (...)* (Hope & Fraser, 1999d); [Budget.] *Take it away* (Hope & Fraser, 1999c); *Figures of hate* (Hope & Fraser, 2001b), and the list could go on.

A budget, in Hope & Fraser's definition, is *a performance management process that leads to and executes a financial plan*. Hope & Fraser support the flaming rhetoric by pointing to

three factors that they view as the primary factors of *high levels of dissatisfaction with budgeting*:

*(1) Budgeting is cumbersome and too expensive, (2) budgeting is out of kilter with the competitive environment and no longer meets the needs of either executives or operating managers and (3) the extent of «gaming numbers» has risen to unacceptable levels. Hope & Fraser (2003a:4)*

Criticism of budgets is not new. Argyris (1952), Wildavsky (1964) and Hopwood (1974) all provide early evidence on possible dysfunctions of budgets. Criticism can further be traced to the present through Merchant's criticism of budgets and earnings management (1990); Van Der Stede's treatment of budgetary slack and manager short-termism (2000); and Jensen's discussion of problems with budget-based incentive contracts (2001). These are only some examples of budget criticism. There is however an important distinction between the "historic" criticism of budgeting and the criticism offered by *Beyond Budgeting*. Horngren et al. (2006) notes that in the past criticism of budgets were typically made by *academics* and were often exaggerations of *current worst practice*. Improvements could be made or problems avoided. Conversely, the *Beyond Budgeting* message originates from *practice*. And the proposed solution is not improvement of budgeting, but *elimination*.

*Beyond Budgeting's* flaming rhetoric and criticism of budgets has naturally evoked some reactions. Hope and Fraser's presentation of *Beyond Budgeting* as a *universal* prescription is met rhetorically, e.g. Libby & Lindsay (2010) – why would so many organisations continue to use budgets for control purposes if it is fundamentally flawed? Budgeting has been found to be extensively used (e.g. Umapathi, 1997; Libby & Lindsay, 2010). Moreover, there are examples in the literature of *highly successful* firms that use budgets extensively for both planning and control (e.g. Simons, 1987; Knight, 1992; Knight & Dyer, 2005).

### 2.1.2 A new era

The reason for the prevalence of budgets is according to Hope and Fraser that the problems with budgeting *have been swept under the carpet* (2003a). However, the *times they are a-changin'* (Dylan, 1964). Hope and Fraser hold that rapid changes in the competitive climate of the 1990s and the corporate governance scandals of 2001-2002 have exposed the problems with budgets fully (2003a).

Today's business environment is referred to as *the third wave* (Hope & Hope, 1997) and *the information age* (Hope & Fraser, 1999ad; 2001). In the third wave and information age the competitive climate is far more uncertain, many people are required to take decisions, the pace of innovation is increasing, costs reflect market pressures, customers are fickle, and shareholders are more demanding. Beyond Budgeting, Hope and Fraser argues, is better suited for the new age, and the remedy for budgetary malaise (2003a).

Critics are not entirely convinced and point out that Beyond Budgeting's crown case Handelsbanken was not located in a sector (banking), or indeed time (1970's), that needed to adapt quickly or where revolutionary change was occurring (Lindsay & Libby, 2007). The case of Codman & Shurtleff, a Johnson & Johnson subsidiary, provides an example of successful, and extensive, reliance on budgeting in a highly innovative industry (Simons, 1987).

### 2.1.3 A set of principles

Hope and Fraser (2003a) synthesises Beyond Budgeting as twelve principles which are divided into two groups. The first group contains management processes and the second leadership principles. Table 2.1 and table 2.2 below show how the principles currently are depicted on BBRT.org, the chief source on Beyond Budgeting.

*Table 2.1 Management Processes*

- 
1. **GOALS** – SET RELATIVE GOALS FOR CONTINUOUS IMPROVEMENT, DON'T NEGOTIATE FIXED CONTRACTS.
  2. **REWARDS** – REWARD SHARED SUCCESS BASED ON RELATIVE PERFORMANCE, NOT FIXED TARGETS.
  3. **PLANNING** – MAKE PLANNING AND CONTINUOUS AND INCLUSIVE PROCESS, NOT A TOP-DOWN ANNUAL EVENT.
  4. **CONTROLS** – BASE CONTROLS ON RELATIVE INDICATORS AND TRENDS, NOT VARIANCES AGAINST A PLAN.
  5. **RESOURCES** – MAKE RESOURCES AVAILABLE AS NEEDED, NOT THROUGH ANNUAL BUDGET ALLOCATIONS.
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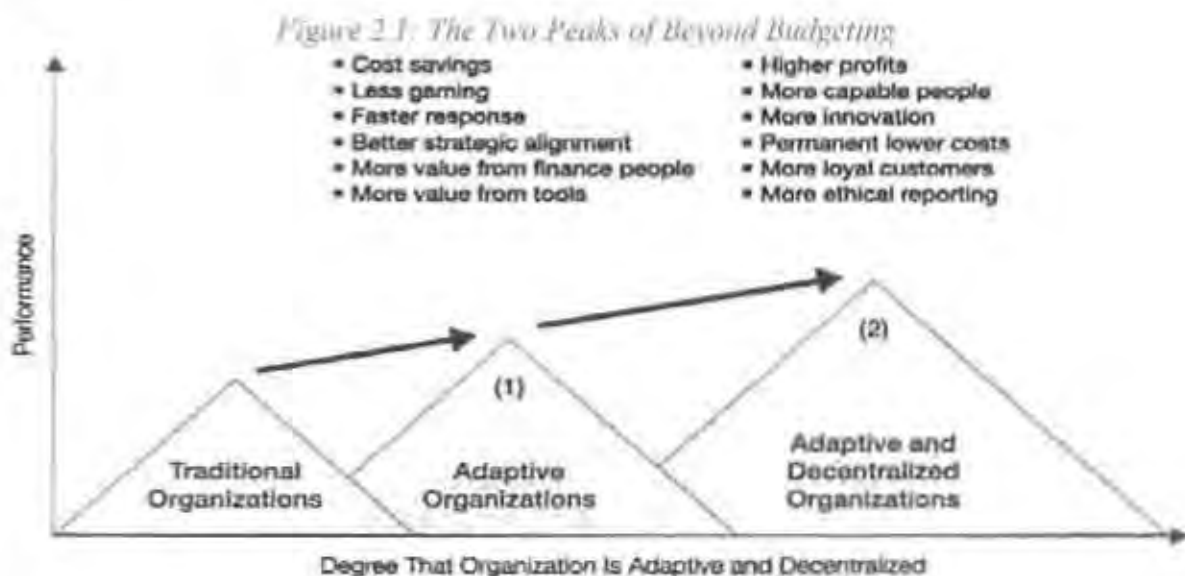
**6. COORDINATION – COORDINATE INTERACTIONS DYNAMICALLY, NOT THROUGH ANNUAL PLANNING CYCLES.**

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*Table 2.2: Leadership Principles*

1. **CUSTOMERS – FOCUS EVERYONE ON THEIR CUSTOMERS, NOT ON HIERARCHICAL RELATIONSHIPS.**
  2. **PROCESSES – ORGANISE AS A LEAN NETWORK OF ACCOUNTABLE TEAMS, NOT AS CENTRALISED FUNCTIONS.**
  3. **AUTONOMY – GIVE THE TEAMS THE FREEDOM AND CAPABILITY TO ACT, DON'T MICRO-MANAGE THEM.**
  4. **RESPONSIBILITY – CREATE A HIGH RESPONSIBILITY CULTURE AT EVERY LEVEL, NOT JUST AT THE CENTRE.**
  5. **TRANSPARENCY – PROMOTE OPEN INFORMATION ON SELF-MANAGEMENT, DON'T RESTRICT IT HIERARCHICALLY.**
  6. **GOVERNANCE – ADOPT A FEW CLEAR VALUES, GOALS AND BOUNDARIES, NOT FIXED TARGETS.**
- 

The principles are also referred to as the two peaks of Beyond Budgeting – see figure 2.1 below. The management processes allow an organisation to climb to adaptive processes. While climbing the leadership peak should result in a decentralised organisation. Consequently, climbing both peaks should result in an adaptive and decentralised organisation.



–Hope & Fraser (2003a:36)



### 2.1.4 A house for other innovations

Ax and Bjømenak (1997) introduced the concept of *housing*, characterised as umbrella concepts covering a combination of other management accounting innovations and existing ideas. The tools connected with Beyond Budgeting that have already seen the light of day, are shareholder value models – e.g. Economic Value Added (EVA) and Value Based Management (VBA) – Activity Based Costing (ABC); Balanced Scorecard (BSC); and Strategic Management Accounting (SMA).

Beyond Budgeting's claim is that these tools will only come to their full right if the organisation goes Beyond Budgeting and becomes adaptive and decentralised (Player, 2003)

### 2.1.5 A management accounting innovation

One definition of management accounting innovation goes as follows:

*(...) an idea perceived as new by an adopting organisation which serves as an underlying design principle for financial and/or nonfinancial information systems that help managers make decisions to fulfil the goals of an organisation. – Shoute & Wiersma (2009:6)*

Beyond Budgeting fits the definition. It is *perceived* as new. Its aim is to improve an organisation so that it better can *fulfil its goals*. And it contains *design principles* that are meant to *help managers make decisions*. The six principles in table 2.1 concern Beyond Budgeting as a management accounting innovation.

### 2.1.6 A general management model

Beyond Budgeting sees itself as something more than a management accounting innovation which is evident in the second definition provided – see section 2.1. The aspiration of the authors is of Beyond Budgeting as a *management model* fit for the 21<sup>st</sup> century achieved by the adaptive and decentralised organisation (Hope & Fraser, 2003a:198). The six principles in table 2.2 concern Beyond Budgeting as a management model.

### 2.1.7 Summary

Beyond Budgeting is a management accounting innovation, and a general management model, that propose an alternative to traditional budgeting. It consists of a set of principles

that have a dual focus on management processes and leadership. Its aim is to transform organisations to become more adaptive and decentralised.

Critics doubt *Beyond Budgeting's* presentation as a universal solution to budgeting dysfunctions. They further hold that *Beyond Budgeting* exaggerates the demands placed by the information age and underestimates the role budgets can play in highly innovative environments.

## 2.2 Culture

Culture is a wide concept and it is necessary to clarify what is meant by the different terms used. It should also be made clear how this thesis view the effect of culture. Culture, in this thesis' view, is not a form of *destiny*; rather it is viewed as a set of *preferences*.

### 2.2.1 Definition

There are several definitions for culture available within the fields of anthropology, sociology, management, and more. Most definitions in the literature of cultural theory can be sorted under two categories. The first category sees culture as composed of *values, beliefs, norms, rationalisations, symbols, ideologies* – i.e. mental products. The second sees culture as referring to the *total way of life* of a people, their *interpersonal relations* as well as their *attitudes* (Thompson et al., 1990). This thesis will adopt the definition of culture provided by Hofstede, which falls into the first category, as it is upon his framework this thesis is built:

*[Culture is] the collective programming of the mind that distinguishes the members of one group or category of people from others. Hofstede (2005:4)*

This defines culture as a *set of values* which are shared by a group. Cultural values held by one group may be alien to another. Another important point in the definition is that the culture is *programmed, i.e. learned*. Values are passed on to other members of the cultural group and are thus not innate.

### 2.2.2 Excluded from the definition

Culture has, as mentioned, many definitions. And it is used in everyday language to describe a wide array of subjects and activities. As such, Hofstede's definition excludes some meanings often attributed to the term in other definitions.

First, the definition concerns itself with values taught and learned. As such expressions of culture are overlooked, that is art, crafts, fashion, food etc.

Second, behaviour that can be satisfactorily explained by the individual's psychological make-up is disregarded. Any individual has his own personality of which there are several different types. Any given culture will contain a wide array of different personalities, therefore it will not necessarily be describing to a culture to single out individual behaviour.

Third, political and economic systems are ignored. These systems may very well reflect cultural values; nonetheless, economic and political changes occur rapidly and can be determined by events that are out of the control of the group members.

### 2.2.3 Levels of culture

One representation of culture depicts it as multi-level construct that consists of various levels nested within each other from the utmost macro level of global culture through national cultures, organisational culture, group culture and cultural values represented at the individual level. See figure 2.2 below.

*Figure 2.2: Five layers of culture*



– Leung et al., 2005:363

Although this thesis is concerned with the level of national cultures, it is nonetheless useful to be aware of the distinctions between the other levels. All levels in this description are focused on employees, organisations and organisational networks.

Global culture is cultural traits shared across the globe – facilitated by global networks and institutions. Global organisational structures need to adopt common rules and procedures in order to have a common “language” for communicating across borders (Kostova, 1999; Kostova & Roth, 2003; Gupta & Govindarajan, 2000). Due to the dominance of Western multinational companies the values that dominate the global context are often based on a free market economy, democracy, acceptance and tolerance of diversity, respect of freedom of choice, individual rights, and openness to change (Gupta & Govindarajan, 2000). The concept of a global culture is a controversial one, and the listed examples are not likely to be shared similarly by the global population.

National cultures are cultural traits that are shared by members of a nation. National culture is learned and formed from early childhood with the use of history, language, educational system, religion and even meteorological factors (Hofstede, 1980). However, subcultures are less likely to share the cultural traits of the dominant group in the nation. Particularly large subcultures in a nation may make the concept of a (one) national culture problematic. Hispanics and Blacks, for example, represent relatively large subcultures in the United States and may have cultural traits that are dissimilar to the rest of the nation.

The next level is organisational culture. All organisations in a country are likely to share some common values of their national culture or, exceptionally, sub culture. But, organisational cultures will also vary as it is shaped by the type of industry it represents, the type of ownership, the values of founders and more (Leung et al., 2005). Hofstede’s distinction between national cultures and organisational cultures sees the former as learned within the first ten years of life while the latter is learned much later in life. Organisational culture is therefore shallower for members of an organisation (Hofstede & Hofstede, 2005). Subcultures may exist also in organisations.

The fourth level is group culture. Groups will share national and organisational culture but may differ from each other on the basis of functions – for example a sales department versus an accounting department – their leaders’ values and educational level of the group members.

The last level is the individual. The individual acquire the higher levels of culture through socialisation. It also goes the other way. A group of individuals create a group level culture through a bottom-up process of aggregation of shared values – see figure 2.2. Groups that

share similar values create the organisational culture through a process of aggregation, and local organisations that shares similar values create the national culture that is different from other national cultures (Leung et al., 2005).

## 2.2.4 Summary

Culture has been defined as the collective programming of the mind which distinguishes the members of one human group from another. This definition treats culture solely on the basis of the beliefs, values and assumptions that an individual holds. There are several levels of culture including global culture, national culture, organisational culture, group culture and the individual. These interact in both a top-down and a bottom-up fashion.

## 2.3 Hofstede's value dimensions

Geert Hofstede is a Dutch scientist most known for his research on national cultures (1980-2005). He originally identified four cultural dimensions. These were Uncertainty Avoidance (UA), Power Distance (PD), Masculinity-Femininity (MAS) and Individualism-Collectivism (IND). Later research resulted in the addition of long versus short term orientation, also known as Confucian Dynamism. The last dimension of long term orientation lacks research and is only scored for a handful of countries and therefore not considered in this thesis. The four original dimensions were first published in *Culture's consequences: International differences in work-related values* (1980). Hofstede's study used survey data collected from IBM, a multinational corporation. The result was a score in each of the dimensions for 40 different countries.

Between 1978 and 1983 Hofstede conducted detailed interviews with hundreds of IBM employees in 53 countries. By applying standard statistical analysis of fairly large data sets, he was able to determine patterns of similarities and differences among the replies. From this data analysis, he formulated his theory that national cultures vary along consistent, fundamental dimensions. Since his subjects were constrained to one multinational corporation's employees, and thus to one company culture, he ascribed their differences to the effects of their national cultures.

The score on the dimensions have been normalised in order to range from 0 to about 100. The scores represent relative positions, not absolute. As such the indexes inform about relative differences between countries.

### 2.3.1 Power distance

*Power Distance (...) [is] the extent to which less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. – (Hofstede & Hofstede, 2005:46)*

The Power Distance Index (PDI) measures the degree of inequality in a society. It reflects the range of answers found in the various countries to the basic question of how to handle the fact that people are unequal. The name stems from the experiential research of Mauk Mulder (1976) on the emotional distance that separates subordinates from their bosses.

There were three survey items used in composing the Power Distance index. The first addresses the situational context. For example, how frequently employees are afraid to express disagreement with their managers. The second category concerns how employees *perceive* their boss' actual decision making style. While the third surveys the subordinates' *preference* for their boss' decision making style.

Power Distance reflects the degree to which a culture believes how institutional and organisational power should be distributed (equally or unequally) and how the decisions of the power holders should be viewed (challenged or accepted). In other words, people in high power distance cultures are much more comfortable with a larger status differential than low power distance cultures.

Consequences of Power Distance are most evident in the form of family customs, the relationship between students and teachers, the young and the elderly, language systems and organisational practices.

Countries with high PDI scores tend to be located in tropical climates while countries with moderate to low PD are normally found in moderate or cold climates. There is also a relationship between the number of inhabitants and power distance. The more inhabitants the higher the power distance is likely to be. Another indicator is the distribution of wealth. The less it is distributed equally the greater the country's power distance is likely to be.

### **Power distance in the workplace**

PDI scores inform about dependence relationships in a country. In small-power-distance countries there is limited dependence of subordinates on bosses, and there is a preference for consultation (interdependence between boss and subordinate). The emotional distance between them is relatively small; subordinates will easily approach and contradict their bosses.

In large-power-distance countries there is considerable dependence of subordinates on bosses. Subordinates respond by either preferring such dependence or rejecting it entirely which in psychology is known as *counter-dependence* – that is, dependence with a negative sign. In countries with large Power Distance a pattern of polarisation between dependence and counter-dependence can be found. In both cases it leaves the subordinate unlikely to approach and contradict their bosses directly.

In countries with high PDI scores subordinates and superiors consider each other as existentially unequal. The hierarchical system is based on this existential inequality. Organisations are likely to centralise power as much as possible in a few hands and subordinates expect to be told what to do. You can expect a relative abundance of supervisory personnel, structured into tall hierarchies of people reporting to each other.

The ideal boss in a country with high PDI is a benevolent autocrat, or “good father”. Employees are likely to feel comfortable with, and respect, such managers. Subordinates may ideologically reject the authority of “bad fathers”, but will still comply in practice.

In countries with low PDI scores you will also find hierarchical systems. But the view is different. The hierarchical system is viewed as an inequality of *roles*, established for convenience. These roles can be changed, meaning that today’s subordinate may well become tomorrow’s boss. Organisations are likely to be fairly decentralised, with flat hierarchical pyramids and a limited number of supervisory personnel.

The ideal boss is a resourceful democrat. The boss is expected to be accessible for his employees and to consult with the subordinates on matters that concern them.

There is no evidence of systematic differences in effectiveness between organisations in countries with high PDI scores versus countries with low PDI scores. In all likelihood the organisations are good at different tasks. For example, organisations with high PD should

perform better with tasks that demand discipline. While low PD should do better in tasks that demand subordinate initiative.

### 2.3.2 Individualism versus Collectivism

*Individualism pertains to societies that in which the ties between individuals are loose. everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty. –Hofstede (2005:76)*

Extreme individualism and extreme collectivism are to be regarded as opposite ends of a scale. This means that a country scoring low on individualism would score high on collectivism and vice versa.

There were fourteen questions related to *work goals* used to reveal patterns on individualism between countries. Upon analysis the questions were found to describe two dimensions, individualism and masculinity.

The work goals that were identified with individualism concerned *personal time, freedom* and *challenge*. Personal time is the relative weight on the importance of having sufficient time for personal or family life. Freedom is to have the opportunity to adopt your own approach to the job. While challenge is to have demanding tasks from which one may draw a personal sense of accomplishment.

The work goals that were connected to collectivism are *training, physical conditions* and *use of skills*. Training is simply the opportunity to improve and learn new skills. Physical conditions are related to work space, desk, offices and such. The last is the importance of getting to fully use your skills and abilities at work.

The difference between the two poles of work goals is that the individualism goals stress the employee's independence from the organisation while the collectivist refer to things the organisation can do for its employees and thus stresses employees' dependence on the organisation.

The level of individualism describes the degree to which a culture relies on the, while the level of collectivism describes the degree to which a culture relies on and has allegiance to an in-group.



Developing economies tend to be collectivist while developed economies tend to be individualistic. Individualist cultures are normally found in colder climates, while collectivist countries are normally located in warmer climates. This dimension is also correlated with power distance. A high PDI score goes together with collectivism and the other way around. Individualism is still a dimension in its own right because it does not hold true for all countries.

### **Individualism in the work place**

Employed persons in an individualist culture are expected to act according to their own interest, and work should be organised in such a way that this self-interest and the employer's interest coincide. Workers are supposed to act as "economic" men i.e. as individuals with their own needs. In a collectivist country an employer not only hires the individual, but also takes account of which group the person belongs to. The person will act according to the interest of the group which may not always coincide with the individual's self-interest. Self-effacement in the interest of the group is a normal expectancy in such a society.

Management in an individualist society is management of individuals. Subordinates can usually be moved around individually. If incentives or bonuses are given, these should be linked to an individual's performance.

Management in collectivist society is management of groups. If the work group functions as an emotional in-group, incentives and bonuses should be given to the group, not to individuals.

In the collectivist society the personal relationship prevails over the task and should be established first. In the individualist society the task is supposed to prevail over any personal relationships.

### **2.3.3 Masculinity versus Femininity**

*A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. – Hofstede (2005:120)*

*A society is called feminine when emotional gender roles overlap: both men and women are supposed to be more modest, tender, and concerned with the quality of life. – Hofstede (2005:120)*

This dimension is often renamed in literature treating Hofstede's dimensions. Hofstede believes this is mostly due to political correctness (1998). Another possible reason is that the concepts of masculinity and femininity are widely used and have connotations that exceed what they seek to describe in the cultural dimension. The most common re-labelling is *achievement versus nurturance*, another is *assertiveness versus relational*. This thesis will, however, stick with the original label.

The reason for the name is that this dimension is the only one where men and women score consistently different – except in the countries that are at the extreme end of the femininity scale. The implication is that masculine societies tend to have very distinct expectations of male and female roles in society. Feminine cultures have a higher degree of ambiguity of what is expected of each gender.

The questions associated with this dimension concerned goal items. For the masculine pole the most important goals were *earnings, recognition, advancement* and *challenges*. For the feminine pole the most important goal items were *manager* (good working relationship with the direct superior), *cooperation, living area* (live in an area desirable to you and your family), and *employment security*. Note that the work goal of challenge also appears in the individual dimension, while the seven other goal items are exclusive for this dimension.

The MAS index indicates the degree to which a culture values behaviours such as assertiveness, achievement and amassment of wealth versus caring for others, social support and the quality of life. A masculine culture values ambition and achievement highly and associate very specific behaviour with the male role. A feminine culture puts less weight in external achievements and gender expectations, and more in the quality of life such as helping others and having sympathy for the unfortunate.

The degree of masculinity correlates with climate. High masculine countries tend to be in warmer climate near the equator while feminine countries are likely to be found in colder climates away from the equator.

### **Masculinity – femininity in the work place**

People orientation is a value that can be tied up with femininity. Anne Statham (1987) conducted a study where she matched groups of US female and male managers and their secretaries. Her conclusion was that the women predominantly saw job and people orientation as *interdependent*, while to the men they were each other's opposites. The

implication is that feminine cultures are likely to have a relative advantage of working in groups as the competitive instincts and opportunism can be thought to be a lesser problem.

Organisations in masculine societies stress results strongly and try to reward on the basis of equity – everyone according to performance. Organisations in feminine societies are more likely to reward on the basis of equality – everyone according to need.

Management in masculine cultures is likely to be on the basis of decisiveness and aggressiveness. Resolutions of conflicts are often settled by letting the strongest win. In feminine societies management is more likely to be built on intuition and consensus. Resolution of conflicts will normally be a process of negotiation and compromise.

### **2.3.4 Uncertainty Avoidance**

*Uncertainty avoidance is the extent to which the members of a culture feel threatened by ambiguous or unknown situations. – Hofstede (2005:167)*

The uncertainty avoidance index (UAI) is built on questions that regard *job stress*, agreement with the statement “*Company rules should not be broken – even when the employee thinks it is in the company’s best interest*”, and a question regarding how long the employee think he/her will continue to work for the company.

These three items are actually not correlated on the individual level. An employee that feels a high degree of job related stress will not necessarily wish for a long term career at the company. The correlation between the questions is found in the mean scores for the countries. If a country scores relatively high on job stress the same country is also likely to score relatively high on wanting rules to be respected and staying loyal to the company.

Uncertainty Avoidance refers to the extent to which a culture feels threatened by ambiguous and uncertain situations and tries to avoid them by establishing more structure. The high positive scores on the UAI indicate low tolerance for ambiguity. These cultures prefer to avoid uncertainty and dissent, and desire consensus. As a result, high uncertainty avoidance cultures prefer formal rules. Uncertainty can express itself in higher relative anxiety than members of a low uncertainty avoidance culture. Cultures with low UAI scores have a high tolerance for uncertainty and ambiguity. Members of such cultures believe in accepting and encouraging dissenting views among cultural members and in taking risks and trying new

things. Thus, cultures which rank relatively low feel much more comfortable with the unknown.

Uncertainty avoidance should not be confused with risk avoidance. Uncertainty avoidance relates to the ambiguity of uncertain situations. Risk can be estimated or structured.

There are no strong predictors of the uncertainty dimension. There is nonetheless a general tendency that mature economies have lower uncertainty avoidance than those that are modernising their economies and sees much change.

### **Uncertainty avoidance in the workplace**

Members of culture with strong uncertainty avoidance have since childhood been programmed to feel comfortable in structured environments. Matters that can be structured should not be left to chance. This leads to an emotional need for laws and rules, the work place being no exception. This need sometimes translates into rules or rule-oriented behaviours that can be purely ritual, inconsistent or even dysfunctional. Members of weak uncertainty avoidance culture are likely to view this as odd and ineffectual. Further they can be expected to display an emotional *horror* of formal rules. Formal rules will only be accepted if they are strictly necessary. But, for a culture with strong uncertainty avoidance they might fulfil the emotional need for formal structure. The practising of the rules can be flexible. In a culture with weak uncertainty avoidance you are on the other hand likely to experience that the rules that are applied are followed more rigidly.

André Laurent (1981) conducted a survey consisting of managers from ten industrialised countries. He uncovered a list of values and beliefs that have later been found to correlate with strong uncertainty avoidance. The first is that the organisation would be better off if conflict could be eliminated forever. A country with weak UA is more likely to view conflict as a process that *can* be constructive. The second is that the manager should have at hand the answer to most of the questions the subordinates can think to ask. The third is that if you expect a competent employee to do a job properly it is often best to provide him with very precise instructions. In a country with weak UA managers, to a larger degree, provide guidance and direction and leave subordinates to figure out most questions for themselves. The fourth is that when the roles of the employees in a department become complex, detailed job descriptions are seen as constructive approach to dealing with the complexity. Lastly an

organisational structure where an employee has two direct bosses should be avoided at all cost.

Managers in cultures with weak UA are likely to occupy themselves with more strategic problems than managers in strong UA cultures. The latter will have a higher focus on daily operations.

### 2.3.5 Replication of the Dimensions

There have been conducted several replications of Hofstede's IBM research. Six of the largest studies are listed in the table 2.3 below. The yes/no pertain to if the study was able to statistically correlate its findings with Hofstede's dimensions.

*Table 2.3: Replication Studies of Hofstede*

Author	Year	PD	IDV	MAS	UA
Höppe	1990, 1998	Yes	Yes	Yes	Yes
Shane	1995	Yes	Yes	No	Yes
Merritt	2000	Yes	Yes	Yes	Yes
Mouritzen	2002	Yes	No	Yes	Yes
Van Nijmegen	2002	Yes	Yes	Yes	No
De Mooij	2004	No	Yes	Yes	Yes

Five of the studies listed in table 2.3 produced PDI scores that were significantly correlated with the IBM scores. The sixth study, de Mooij's, took its data from consumers who were *not* selected on the basis of their relationships to power, but included different occupations such as students, housewives and unemployed. This may explain the lack of correlation found in this study.

Five, is also the number of studies in the table that found scores of individualism that correlated significantly with Hofstede's scores. Mouritzen's study did not produce results that are consistent with Hofstede's scores on this dimension.

The number of studies that validated the dimension of masculinity was, again, five. Shane's study did not replicate the results of this dimension, but had excluded the questions pertaining masculinity and femininity on the grounds that they were deemed politically incorrect. As such it is not surprising that it found little support for this dimension. Sondergaard (1994) reviewed nineteen smaller replication studies, than those listed in table 2.3. He found that fourteen of them confirmed this dimension.

All, but one studies successfully replicated the dimension of uncertainty avoidance. Nimwegen's study did not confirm this dimension.

### 2.3.6 Criticism of Hofstede

Tayeb (1996) questions Hofstede's research on the grounds that it is entirely based on an attitude-survey questionnaire. Tayeb contend that this is the *least* appropriate way of studying culture. However, for comparative purposes he deems it effective.

Bond (2002) criticises the sub-division of a factor into *Individualism-Collectivism* and *Masculinity-Femininity*. Had Hofstede remained true to the original factors, Bond argues, it is unlikely that the US would have been located at an extreme as it is in *Individualism – Collectivism* without which much of Hofstede's critique on the applicability of US management theories is void.

The most common methodological criticism (e.g. McSweeney, 2002) is that the sample is not representative because it is drawn from a single company comprising middle-class employees. Hofstede's response is that IBM-employees in different countries constitute suitably matched samples and that organisational socialisation has no impact on workers as values were acquired as children (1984). An unmet criticism is however that similar occupation has different entry requirements and social status from country to country (McSweeney, 2002)

Simplicity is a recurring criticism, four dimensions are deemed inadequate to convey cultural differences. Further that it ignores within country cultural heterogeneity (e.g. Sivakumar & Nakata, 2001). Hofstede and Bond (1988) did add a fifth dimension called *long-term versus short-term orientation*. However, this dimension is as yet not sufficiently researched. It has only been scored for a handful of countries and does not allow for composing a table of

differences similar to the other dimensions. Moreover, one more dimension does little to counter the critique of oversimplification.

McSweeney (2002) suggests that the dimensions found may not be the most important dimensions. The reasoning is that it is not improbable that additional, amended or alternative questions would have revealed different national cultures.

Hofstede's research has also been accused of being outdated. Hofstede (1980) is sceptical of this viewpoint, arguing that cultures change slowly. Gooderham and Nordhaug (2003), however, conducted a similar survey on CEMS business school students and found evidence on convergence of values across Europe.

### 2.3.7 Concurrent classifications of National Cultures

Since the introduction of Hofstede's framework for cultural dimensions other theories that classify national cultures have appeared. The most renowned are Schwartz', Trompenaars', the GLOBE and WVS projects.

Shalom Schwartz (1994) started out by compiling a list of 56 values derived from a literature review. He sampled scores from college students and teachers in 56 countries. The survey asked the respondents to rate each value on how true it was compared to the statement "a guiding principle in my life." Schwartz identified seven dimensions. They are *conservatism*, *hierarchy*, *mastery*, *affective autonomy*, *intellectual autonomy*, *egalitarian commitment* and *harmony*. The country data Schwartz arrived at correlates with Hofstede's scores (Sagiv & Schwartz, 2000; Smith et al., 2002). This means that most of the categories can be placed in one of Hofstede's dimensions. There is however no significant correlation for the categories of intellectual autonomy, affective autonomy and conservatism.

Fons Trompenaars (1993) derived his set of values from sociological theories dating from the 1950s and 60s. He arrived at seven dimensions. These are *universalism versus particularism*, *individualism versus communitarism*, *emotional versus neutral*, *specificity versus diffuseness*, *achievement versus ascription*, *time orientation* and *relation to nature*. Trompenaars surveyed 28 countries on these dimensions. Gooderham & Nordhaug (2003) argues that Hofstede's and Trompenaars' frameworks should be regarded as supplementary, not as duplicates. Smith et al (1996) analysed Trompenaars database and found two independent dimensions in the data. These correlated with Hofstede's dimensions of power

distance and individualism versus collectivism. Hofstede, for his part, claims that Trompenaars dimensions have not been validated (2005).

The Global Leadership and Organisational Behaviour Effectiveness research project (GLOBE) is a project conceived by Robert House, an American management professor (House et al., 2004). The project surveyed 61 countries on nine dimensions derived from literature, including Hofstede. These dimensions are *power distance*, *uncertainty avoidance*, *social collectivism*, *in-group collectivism*, *gender egalitarianism*, *assertiveness*, *future orientation*, *performance orientation* and *humane orientation*.

The World Values Survey (WVS) was led by Ronald Inglehart, an American political scientist (Inglehart et al., 1998). The survey eventually covered 60 000 respondents in 43 societies. The questionnaire used more than 360 forced-choice questions covering a very wide spectre of values concerning everything from politics to sexuality. Inglehart (1997) found two key cultural dimensions upon statistical analysis of the data which were called *well-being versus survival* and *secular-rational versus traditional authority*. These were found to correlate with Hofstede's dimensions of individualism versus collectivism and power distance.

### 2.3.8 Summary

Hofstede's framework for cultural dimensions is the most common framework for comparing national cultures. It consists of four dimensions that are scored, normally between 0 and 100. The scores show the relative difference between countries on the dimensions. The four dimensions are power distance (PD), individualism versus collectivism (IDV), masculinity versus femininity (MAS) and uncertainty avoidance (UA).

The power distance indicates the extent to which a society expects and accepts a high degree of inequality in institutions and organisations. A higher power distance favours a hierarchical organisational structure with a clear pecking order. Employees in cultures with high power distance are generally more cooperative with superiors and more afraid to disagree with them than are low power distance employees where the reverse applies.

The UA dimension measures how far different cultures socialise their members into accepting ambiguous situations and tolerating uncertainty about the future. In societies with high uncertainty avoidance there is an emotional need for rules, written and unwritten. In



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organisations people fear failures, take fewer risks, resist change and value job security, career patterning, pension plans etc. Managers are expected to issue clear instructions and subordinates initiatives are more tightly controlled.

Individualist countries stress individuals' achievements and rights and focus on satisfying their own needs. Collectivist cultures are characterised by tight social networks in which members identify closely with the organisation. Individual cultures control and motivate their members by inducing guilt and developing opportunities for self achievement. Collective cultures, meanwhile control through the shame of stepping out of the group, and motivate by pride in the group's achievements. In organisations, highly individual cultures will have a sharp distinction between work and personal life. Task will prevail over relationship.

Members of a masculine culture believe that men should be assertive and women nurturing. Gender roles are clearly differentiated and sexual inequality is seen as beneficial. The reverse is true for members of a feminine culture.

Several studies have attempted to replicate Hofstede's summary. In general they are able to reproduce his results to a statistically significant degree. Four of the six studies that were listed lacked verification on one dimension, all though none of them lacked the same dimension.

Hofstede's dimensions have been criticised on method for using attitude based surveys, for splitting what was originally one dimension into two, and that the samples are taken from the same company consisting of middle-class people.

Other notable criticism is that the dimensions treats culture as too simple, and are thus of little relevance for real practice. The inference of the dimensions is also questioned as some claim other questions would have produced other dimensions. Lastly, Hofstede's scores, which stem from the late 1970s and early 1980s, are criticised for being outdated.

There are other classifications of national culture available. The most renowned are Schwartz, Trompenaars, the GLOBE project and the WVS project. On some aspects they are alike, and on some they differ. The most fruitful approach is likely to regard the classifications as supplementary or complementary rather than as substitutes.

## 2.4 Cultural Clusters

Cultural clusters are grouping of countries with similar culture. There will of course be important differences between countries in the same clusters, but similarities will be greater than the differences. The countries will be *relatively* alike, meaning that they can be compared with clusters that are relatively different.

The validity of country clusters was studied and researched even before Hofstede presented his framework for cultural dimensions. Ronen and Shenkar (1985) conducted a literature review on the studies that had attempted country clustering. Their conclusion was that countries/nations apparently can be clustered according to similarities on certain cultural dimensions. Their aggregated clustering of countries is presented in the map below.

Figure 2.3: Cultural Clusters



<http://teaching.usf.hk/~mgto650p/meyer/readings/9c/RonenShenkar.pdf>

The first thing to notice is that most of Africa, Asia and Eastern Europe are left blank. This is due to lack of research on these areas, at the time. Later research indicates that we can add West African, North African and Eastern European/Russian clusters to the list (references). In addition there have been conducted much research on Chinese culture, which may be thought of as an independent. Independent countries are countries that are dissimilar to most

other countries and clustering them would have no point. For this thesis it is not necessary to add any further clusters as *Beyond Budgeting* has seen little adoption in the missing parts of the map so far.

The Anglo culture is generally referred to as Anglo-Saxon in this thesis.

## 2.5 Cultural Theory in Management Accounting

Joshi (2001) uses Hofstede's cultural framework when comparing his study of the adoption of management accounting practices in India with a similar Australian study. Joshi finds several significant differences in the adoption rates, benefits derived and future emphasis between the countries and observes that most of these differences could be attributed to the differences in cultural values.

Ueno and Wu (1993), Chang et al. (1995) and, Anthony and Govindarajan (1995) examined six aspects of budget control systems. They compared the national culture of the US and Japan, and, Japan and Taiwan. Other studies have investigated the relationship between job performance and management control in the context of national culture (Lau et al., 1997; Harrison 1992; Birnberg & Snodgrass, 1988). Most of these studies found that national culture had an impact on certain aspects of accounting practices. Birnberg and Snodgrass (1988) concluded that managerial predisposition, liking or disliking of management accounting practices, was affected by culture – defined as attitudes, values and beliefs.

Hofstede (1980b) treated American general management models in *Motivation, leadership and organisation: Do American theories apply abroad?* and reached the conclusion that management systems are nationally idiosyncratic and that attempts to apply management systems across borders are courting failure.

Kirkman et al. (2006) undertook a comprehensive literature review treating a quarter century of studies that incorporated Hofstede's cultural values framework. The review counted 180 studies published between 1980 and 2002. Among their conclusions is that their findings reinforce Hofstede's original contention that values are related to the aggregate management practices and beliefs of nations. The important findings regarding the fit between management practices demonstrated that being *culturally sensitive pays*, meaning that it results in higher returns on assets, sales and higher bonuses (Kirkman et al., 2006:302).

## 2.6 Summary

Beyond Budgeting has been defined as both a management accounting innovation and a general management model. Its aim is to create organisations that to a greater extent are decentralised and adaptive to comply with new environmental demands. Beyond Budgeting sees traditional budgeting as a barrier to achieving this target and recommends that budgets are eliminated. The proposed implementation of Beyond Budgeting is loosely formulated. The proponents suggest twelve principles that should be adhered to achieve the "state" of Beyond Budgeting. These principles are general of nature and needs interpretation of those undertaking implementation. Even the fiercest proponents among the practitioners regard the principles as guidelines to provide direction.

Hofstede's value dimensions have been introduced. His theory will serve as framework for what is meant by national culture in this thesis and provide a basis for comparing different countries with regard to culture. In regard to this framework, national culture as distinctive to organisational culture and similar uses of the concept of culture has been defined. The four original dimensions have been treated thoroughly and their summary can be read in section 2.3.8. Criticism, as well as concurrent frameworks, has been given attention. The reason for the choice of Hofstede's theory as framework can be found in section 3.1.2.

The literature review in section 2.4 showed that Hofstede's framework has been extensively used in research and that it is still relevant.

Lastly the theoretical basis for comparing cultures across regions was addressed. The relevant regions for this thesis are the Scandinavia (read: Nordic), the Germanic and the North American (read: Anglo).

### 3. Method

*This chapter describes the research design, which is basically the structure of the research process in this thesis. It includes the choice of research object, framework and data. The following section presents the strategy chosen to answer the problem statement and research questions. The last section discusses the generalisability, reliability and validity of the research.*

#### 3.1 Research design

Beyond Budgeting has been chosen as research object. The concept is relatively recent and has sparked a new debate surrounding the use of budgeting for management accounting practices. It has originated from practice rather than from academic theory. Furthermore it may be a rare example of a management accounting innovation and management model that traces its origin outside the Anglo-Saxon sphere. The Anglo-Saxon concepts have long been criticised for being coloured by the Anglo-Saxon national culture. Along comes Beyond Budgeting and makes the claim that their concept is universal.

The problem statement presumes that there are cultural differences between countries and regions. To be able to identify and describe these cultural traits it is helpful to have a framework in order to know what to look for. The choice fell on Hofstede's framework for cultural dimensions. It was picked due to its popular use in research treating national cultures – it is a simple and understandable framework consisting of four, later five, dimensions. Further Hofstede has scored a range of countries on the dimensions – allowing for easy comparisons of cultures.

The framework has been criticised on several grounds so the choice necessitates further justification than suitability. Leung et al. (2005) holds, in their *state-of-the-art* review of research on culture and international business, that the reviewed projects suggest that Hofstede's dimensions are robust. Smith and Bond (1998:56) concludes that the large scale studies published after Hofstede's *Culture's consequences* (1980a) *have sustained and amplified [Hofstede's] conclusions rather than contradicted them*. Kirkman et al. (2006), in their massive review of a quarter century's worth of studies incorporating Hofstede's framework, shares Smith and Bond's conclusion and adds:

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*Further, our review shows that researchers have used Hofstede's framework successfully to select countries that are culturally different in order to increase variance, and that most country differences predicted by Hofstede were supported. Thus, overall Hofstede's values are clearly relevant for additional cross-cultural research. — Kirkman et al. (2006:308) (My emphasis)*

The data used in the analysis part is in the form of secondary, for the most part qualitative, data in the form of books and journals published by the Hope & Fraser, who conceived Beyond Budgeting, and their collaborators. For determining the origins of Beyond Budgeting the data have been quantified out from the number of observations (references) of companies and their nationality. For indication of spread the data is taken from the membership lists of the Beyond Budgeting Roundtable (BBRT). The data used to compare countries and regions are taken from Hofstede's research and scoring of the cultural dimensions.

## 3.2 Research strategy

The main strategy for the thesis is to use Hofstede's dimensions to identify cultural traits of Beyond Budgeting and consequences for its applicability. In order to achieve this it is necessary to prove the origins and outline how this thesis will identify cultural traits and how they can affect applicability.

Beyond Budgeting was formed on the basis of cases of companies that operated without budgets. The strategy, to determine the origin countries, is to review all literature published by Hope and Fraser leading up to, and including, *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap* (2003a). From the review a list of the company cases described and their nationality will be produced. The number of companies from each country will be listed along with the number of publications each company is referred in. The assumption is that the company cases that are mentioned by the authors are the same that have inspired the concept, and that multiple referrals indicate a higher relative importance. This should provide an overview that reveals a pattern of which countries the cases are from. Further a distinction will be made on how extensive the case report is in the publications on the assumption that the cases with the most extensive reviews are the cases that were most influential.

The aim is to check if the origin region's cultural dimensions can be re-found in Beyond Budgeting. The strategy to achieve this is to review the literature in order to locate principles, guidelines, case examples, attitudes, values and beliefs that are consistent – or inconsistent – with the cultural dimensions as described by Hofstede and Hofstede (2005).

Regarding the manifestation of Beyond Budgeting's cultural traits the aim is two-fold. One is to see if there are different approaches towards Beyond Budgeting in cultural dissimilar regions. The other is to exemplify how cultural conflicts can manifest themselves in culturally different regions than the origin region. The strategy is to review the Beyond Budgeting literature for examples that are consistent, or inconsistent, with behaviour predicted by the cultural dimensions.

### 3.3 Generalisability, reliability and validity

Hofstede assumes that culture is stable or extremely slow moving, and therefore the scores from the 1970s and 1980s are still relevant today. There have nonetheless been research conducted that have shown some convergence between countries, particularly in Europe. This questions the reliability of using Hofstede's scores. But even if there have occurred convergence between countries, it is not likely to be tremendous – meaning that is extremely unlikely that a country has moved from, say, strong uncertainty avoidance to weak. Further Hofstede's scores are meant to show relative differences between countries, these remain despite some convergence. Therefore this thesis keeps the focus more on the relative differences between countries rather than absolute scores.

Beyond Budgeting originates from practice and the inspiration is taken from several companies in many countries. The claim that Beyond Budgeting is Scandinavian rather than European, Western or a jigsaw of cultures is sought to be validated by the relative importance in the literature of Scandinavian companies. The assumption is that if a company has several mentions it is proportional more important for the design of the concept. Further, it is assumed that the more detailed the account is, the more important the case is. The in-depth distinction is made when the described company has got its own heading in the article or book. Lastly the nationality of the persons recognised as pioneers of Beyond Budgeting has been drawn into the equation. There is no reason to think that Hope and Fraser have neglected to mention companies that have been instrumental to the forming of Beyond Budgeting. As such the information given in the literature should be reliable.

An objection can be made towards the assumption that more mentions of a case means that it is more important. It is possible that certain of the cases that are mentioned several times are not due to its importance to the concept but rather that it illustrates certain points that the authors wish to convey to convince sceptics. For example, it can be imagined that a very reputable company is named multiple times not so much for its relative importance for the concept as to convey the message to potential adopters that this is something big, successful and serious companies consider. Nonetheless, the number of articles published and amount of companies mentioned should be large enough to validate this method.

Another aspect is the assigning of nationalities to the companies. An objection to the validity of this is that many of them are multinational companies. However, most multinational companies maintain a distinct nationality when one considers the nationalities of the company board members and CEO. Even if there are genuine multinational companies those are held to be the exception rather than the rule and the occurrence of one or two in the case material should have little or no impact on the result. Nonetheless, the thesis has assigned a dual nationality to some companies. A second point regarding the assigning of nationalities is that it is possible that foreign subsidiaries, with a large degree of autonomy, have adopted Beyond Budgeting while the parent company is happily unconcerned. This is not likely to be an important factor for this thesis as most companies actually have been assigned a nationality in the reviewed literature. In summary the validation method used to prove the claim that Beyond Budgeting is of Scandinavian origin should be robust.

This thesis produces two maps (figure 4.4 and 4.5) to indicate the spread, or rather the interest worldwide of Beyond Budgeting. The method used cannot be claimed to be entirely reliable. The reason is that the thesis have used the membership lists for the Beyond Budgeting Roundtable to give an indication of which countries that have demonstrated interest in the concept – and by extension which countries that are likely to contain Beyond Budgeting adopters. The membership lists are not a perfect measure for this. Firstly, former members are not disclosed. The membership list and the compilation is as such an approximation that may not be entirely correct, but should nonetheless serve as a reasonable approximation. Secondly, the membership lists does not provide a complete overview of Beyond Budgeting companies. There are companies that can be referred to as Beyond Budgeting companies that have not been a member, at least not in the membership lists compiled in this thesis. Thirdly, not all members in the list can be said to have seriously considered implementation of Beyond Budgeting. Accenture is an example of a company



that entered as member more or less to get an overview of what was going on. Possibly, there are further examples of companies with a similar agenda. Fourthly, the first map, figure 4.4, excludes the foreign subsidiaries. It is a fact that some of the companies have introduced Beyond Budgeting in some or all of their foreign subsidiaries. By not considering these the indication falls in accuracy. This is somewhat remedied in the second map where the worldwide presence of the current members are shown. But it is not known which companies that have exported Beyond Budgeting in which subsidiaries. Therefore it cannot be taken as more than an indication of the potential spread for Beyond Budgeting. Therefore the second map, figure 4.5, is only based on the current BBRT members, not including former members or exclusively regional members. The current members provide a large enough sample, 69 out of 160, so that the indication can be said to be representative for the entire population. More than that is not needed to convey the point that there are potentially Beyond Budgeters in nearly all countries, albeit with a higher degree of likelihood in the countries with more observations. In summary the indication of the spread in the maps cannot be claimed to be a reliable indication of absolute spread of Beyond Budgeting. The maps should however still be a valid indication of the *relative* spread of Beyond Budgeting. This means that the maps indicate which regions and countries that have a higher population of Beyond Budgeters than others – not how many there actually are in each country or region.

The analysis of Beyond Budgeting involves the interpretation of qualitative data. There is always a risk that another researcher will interpret the same information in another way or value other information available more highly. There is no way to guarantee against this other than by being as transparent as possible on how this thesis has drawn its conclusions out of the information used. There is a potential problem of generalisability if the conclusions were drawn out of particular company examples, i.e. cases. The reason is that companies practice Beyond Budgeting differently as there is hardly anything of a recipe on how Beyond Budgeting should be implemented and practiced that holds true for all companies. Therefore this thesis has chosen to base this part of the analysis on Hope and Fraser's book on Beyond Budgeting (2003a). The rationale is that this is the major reference point on Beyond Budgeting and a synthesis of the research that led to the concept. Therefore it should be the common denominator for Beyond Budgeting companies. By relying on this book to analyse Beyond Budgeting the thesis should avoid the potential problem with generalising the findings.

In the last part of the analysis company examples are used to draw conclusions on the applicability of Beyond Budgeting around the globe. Here generalisability is clearly an issue. Firstly, there is a risk that this thesis has, inadvertently, looked for information that supports what was expected to be found and overlooked contradicting evidence. There is no perfect way to guard against this. But, the researcher has at least been aware of this and actively looked for evidence that contradict the original assumptions. Further the thesis has tried to be cautious not to draw too strong conclusions from these examples. Secondly, there is the issue of whether an individual company, or indeed individual, can be taken as a representative for its country or region. There is a risk that the thesis will interpret examples consistent with Hofstede's dimensions as representative while dismissing contradictory examples as unrepresentative. The validity of this rests entirely on the validity of Hofstede's dimensions and relative scores. If they hold true then examples consistent with Hofstede's dimensions can be claimed to be representative.

On the last note it should be mentioned that the analysis, both in attributing culture to Beyond Budgeting and interpreting information and examples, is in risk of "over-interpreting". The assumptions in Hope and Fraser's book and the examples highlighted are due to more than the effect of culture. In order to negate this, alternative and complementary explanations have been given attention where deemed reasonable.

## 4. Analysis & Empirics

*The analysis starts with determining the origins of Beyond Budgeting along with the cultural peculiarities of the origin countries. The next section attempts to determine if and how the four original cultural dimensions are connected with Beyond Budgeting. The last part indicates the reach and potential of Beyond Budgeting across the world and discusses implications for applicability mainly in Scandinavia, the Germanic countries and North America.*

### 4.1 Origins

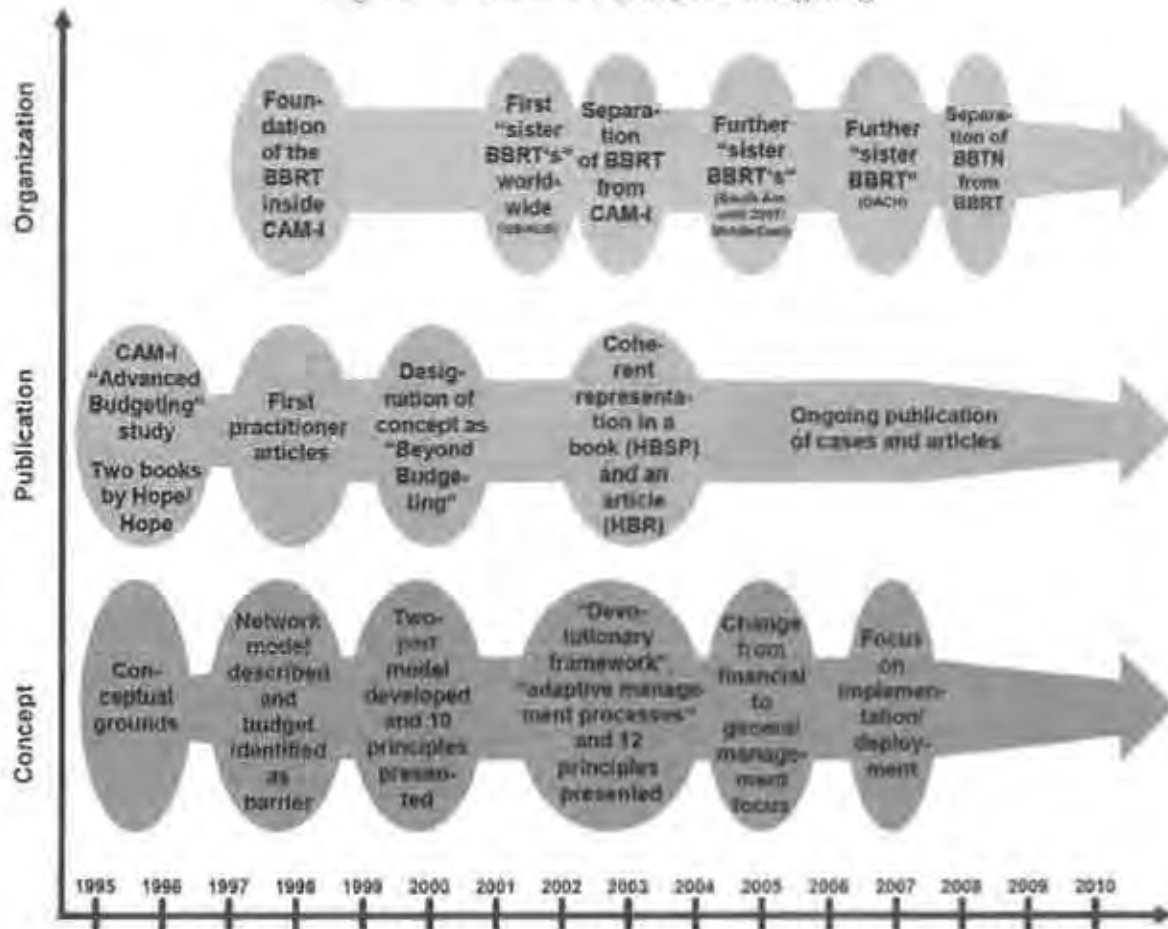
Beyond Budgeting as a term was conceived in 1997 by Jeremy Hope and Robin Fraser. They met at a CAM-I conference which is a US-based research and development consortium. Both Hope and Fraser delivered speeches at the conference that concerned the shortcomings of budgeting (Daum & Hope, 2003). After the conference they agreed to team up to work on possible solutions to the problems they had identified with budgeting. They decided to call their project “beyond budgeting” (Becker et al., 2010). Back then the concept was a mere idea. An idea that there had to be something beyond traditional budgeting. Thus the term was coined.

In *Beyond Budgeting... – Breaking through the barrier to the third wave* Hope and Fraser present their approach to finding an alternative to traditional budgeting. The strategy was to undertake detailed case reports of leading companies that had abandoned or significantly changed their budgeting systems. The aim was to synthesise the case reports into a set of guidelines and become facilitators of shared learning. The guidelines eventually transformed into the twelve principles and the shared learning is facilitated through the Beyond Budgeting Roundtable (BBRT). The roundtable was founded in 1997 within the CAM-I structure and was later to separate from the organisation to become an independent research and learning network.

The evolution Beyond Budgeting into the concept it is today can be traced in the figure 4.1 below. It should be noted that this figure traces the development of Beyond Budgeting from the perspective of Hope and Fraser. Arguably, the very beginning of Beyond Budgeting can

be said to be when Jan Wallander introduced his non-budget management in Handelsbanken back in the 1970s.

Figure 4.1 Evolution of Beyond Budgeting



(Adapted from Becker et al., 2010:55)

#### 4.1.1 Countries of origin

Beyond Budgeting originates from practice. Between 1997 and 2003 Hope and Fraser examined 25 cases concerning companies operating without budgets (Daum & Hope, 2003). 1997 is the year when Hope and Fraser decided to work together while 2003 marks the year *Beyond Budgeting – How Managers Can Break Free from the Annual Performance Trap* was published and became the major reference point on Beyond Budgeting.

Going through sixteen publications that Hope and Fraser put their name on during this period a list of thirty companies was identified – see appendix 7.1. Each company was assigned a nationality determined by its country, or countries, of origin and the number of

publications each company was referred in was counted – table 4.1 and 4.2 below show the number of companies from each country and the total number of referrals.

*Table 4.1: (Left) Nationality of companies and count of referrals*

*Table 4.2: (Right) Nationality of companies and count of in-depth cases*

Country	Company count	Referral count
Sweden	9	48
UK	8	19
Denmark	2	12
USA	4	9
France	4	8
Switzerland	2	3
Norway	1	2
Netherlands	1	1
	31	102

Country	Company count	Count
Sweden	2	9
Denmark	1	1
UK	1	1
France	1	1
	5	12

In table 4.1 all Scandinavian countries are represented and it is dominated by Swedish companies. British companies are second on the list while USA, France, Switzerland and the Netherlands have some representation. If we further consider the in-depth case descriptions, table 4.2, the Swedish dominance in the case material becomes even clearer. The more detailed case descriptions in the in-depth cases should be a clear indication of relative importance of the case.

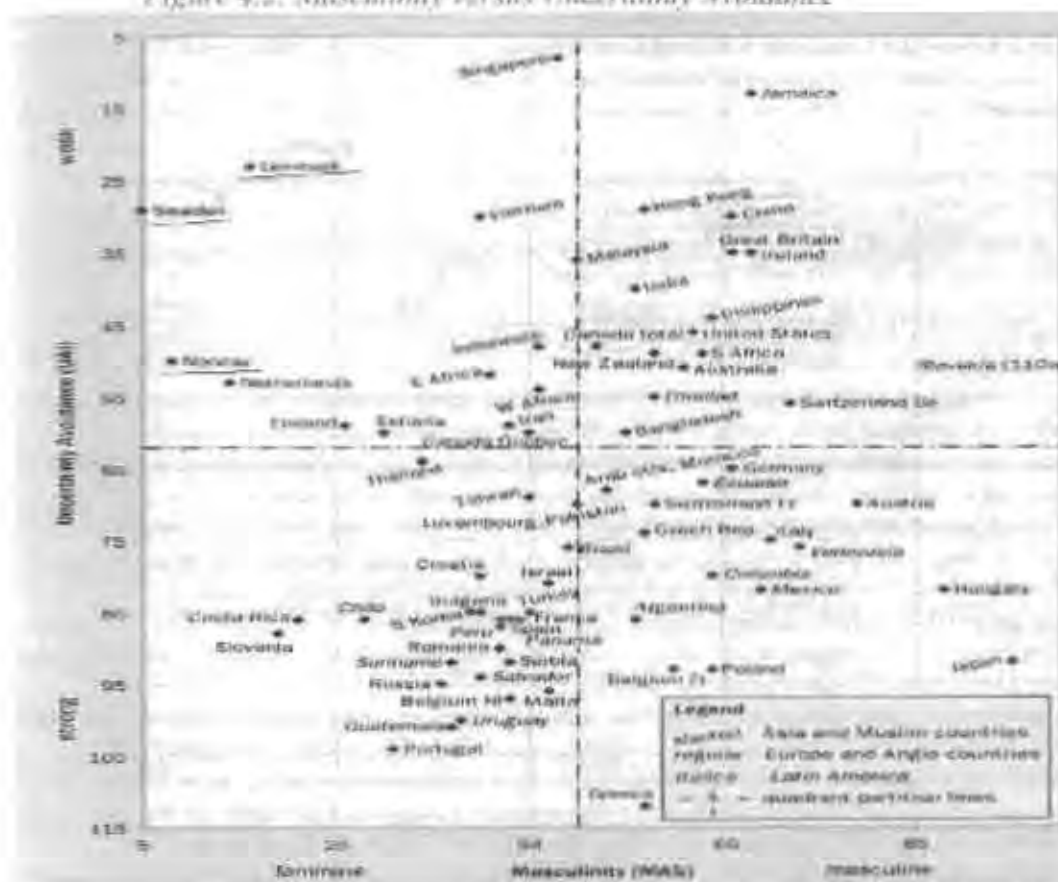
The number of cases from Scandinavia and the high number of referrals in the published articles from Hope and Fraser provides a very strong indication of which companies and cases that were most influential in forming *Beyond Budgeting*. The dominant country of origin is Sweden. Including culturally similar Denmark and Norway further strengthens the relative importance of the region for inspiring *Beyond Budgeting*.

The reason for the Swedish dominance is probably because Swedish companies have experimented with budget-less management since Wallander (1994; 1999) abandoned budgets in Svenska Handelsbanken in the early 70s. Svenska Handelsbanken is the greatest inspiration source for Beyond Budgeting (Daum & Hope, 2003) and is listed in every publication in the compilation of literature between 1997 and 2003. Jan Wallander, a Swede, is together with Bjarte Bogsnes, Norwegian, recognised as the two pioneers of Beyond Budgeting (Bjørnenak, 2010).

#### 4.1.2 Culture of origin countries

The culture of the origin countries, with regard to Hofstede's cultural dimensions can be presented cross-dimensionally. Figure 4.2 and 4.3 shows the four dimensions with the countries plotted in. There are four more possible combinations of cross-dimensional plotting which can be found in the appendix section 7.2 along with the scores and rank. The Scandinavian countries are marked with a red underline. The stippled lines mark the division between the dimensions – e.g. small or large power distance.

Figure 4.2: Masculinity versus Uncertainty Avoidance



– Hofstede (2005:187)



### 4.2.1 Power Distance

Decentralisation is a vital part of Beyond Budgeting. It is even one of the “peaks”. If we have another look at the principles that make up the leadership part they all advice higher independence for employees. Summarised the six principles advocate a flatter hierarchy where employees and teams are given a large degree of freedom to act – see table 2.1. The employees are to be controlled through their own sense of responsibility along with a few clear values, goals and boundaries to guide them. In practice this means that power is moved from centralised positions such as managers to employees. Since targets are to be relative there is a need for negotiation between the managers and subordinates to determine the quality of the work put in and rewards. In this context an effective leader is more likely to be a “coach”. It is not the leader’s responsibility to solve the tasks and give order his subordinates, but rather guide, instruct and motivate them. The employees on their side will be expected to engage in discussion and problem solving with their superior both independently and in group settings.

In such an environment it is advantageous for subordinates and superiors to consider each other as existentially equal. In cultures with high Power Distance this is not the case. Inequalities among people are expected and desired in high power distance cultures. The ideal boss in subordinates’ eyes is a benevolent autocrat or “good father” if you will. Subordinates expect to be told what to do. Negotiation between superior and subordinate is something both parts are likely to be uncomfortable with. This is a poor fit with the decentralisation and independence for subordinates that Beyond Budgeting promotes.

Much more consistent with Beyond Budgeting is low Power Distance. In such cultures subordinates and supervisors view each other as existentially equal. The ideal boss is a resourceful democrat who is accessible for the subordinates and is expected to consult with his employees for decisions that concern them. In such a culture it is easier to empower employees and have them assume responsibility as they are taught to take initiative already at school age. Moreover, members of low power distance cultures are much more comfortable with confronting their bosses and deliver bad news – which would be increasingly important in a decentralised system.



## 4.2.2 Individualism

In collectivist countries the concept of “in-groups” is of big importance. This means that employees feel an emotional attachment to a group that extends the realm of family and close friends. By belonging to the in-group the individual allows the group’s interest to trump individual interests when these conflict – an example can be sharing of income with relatives. It is expected that the in-group gets preferential treatment. When hiring, a manager in a collectivist culture will, along with skills and general suitability, take account of the in-group the potential employee belongs to. Preference is given to people who belong to the manager’s in-group or to the same in-group that current employees belong to. This is markedly different from an individual culture where such proceedings would risk to be labelled nepotism and might even be subject to law suits over discriminatory behaviour. Beyond Budgeting strongly emphasises the need to recruit and hold on to the best. The sole focus is on hiring the most talented and skilled – no mention of belonging to a certain group. The concept of in-groups also plays a role in the relation to customers where customers belonging to the in-group will get preferential treatment.

Beyond Budgeting is undoubtedly rooted in an individual culture. However it is unclear how or even if it affects Beyond Budgeting as a model. Business procedures are different in collective cultures. Besides preferential treatment of in-groups there is also the need for relationships and trust. Where individual cultures negotiate business deals directly and impersonally, collective cultures value the indirectness of personal relationship. There are numerous accounts of western companies failing to land business deals because they did not invest enough time and effort to build a relationship before starting the negotiations (e.g. Thomas & Inkson, 2004). The differences are clear, but they do not necessarily affect the use of Beyond Budgeting. Even if the environment in collectivist countries is not as disruptive as the “third wave” view of the environment they may still value more adaptive and flexible organisations. A manager in a collective culture can probably continue to give preferential treatment to recruits and customers and continue to rely on relationships without compromising Beyond Budgeting.

One aspect of collectivism is similar to the dimension of masculinity with regard to bonuses. Even if the country is masculine it is unlikely that individual bonuses will be appreciated. Collective bonuses are on the other hand likely to be treasured. Beyond Budgeting opens for this, see discussion under section 4.2.3, so it is unlikely to pose a problem.

Even though the origin region for *Beyond Budgeting* is individualistic this thesis finds no clear indication that this has transmitted to *Beyond Budgeting*. The concept can as such be regarded as neutral on this dimension – implying that relative differences on individualism will only have negligible effect on the efficiency of *Beyond Budgeting*.

### 4.2.3 Masculinity

The aspect most commonly attributed to this dimension is how rewards and bonuses are dealt with. Reward schemes of American origin normally promote rewards for individuals to provide incentives for inter-individual competition. In feminine countries employees are generally uncomfortable with receiving individualistic bonuses, but normally comfortable with collective bonuses given to all employees or possibly a department or even teams that have distinguished themselves.

Hope and Fraser (2003a) notes that the organisations they have studied handle rewards differently. Some rewarded the individuals, some the relative success of teams and some have no lower-level reward systems but a group wide profit sharing scheme. The important point for *Beyond Budgeting*, Hope and Fraser continues, is that the rewards are not linked to fixed targets. They do however make three separate recommendations on the subject of rewards. The first recommends that individual rewards should be based on a multilevel performance. That is, an individual performance appraisal, the performance of the business unit, and the performance of the business unit as a whole. The second is to base the relative rewards on teams, *not individuals*. The last point is to recommend basing rewards on the relative success of the group.

These three recommendations do have something in common. They all recognise a need to reward collective effort. The multilevel performance contracts are meant for individuals, yet the individual performance is just one part out of three in deciding the bonus. To be able to maximise the reward the manager needs to put in effort to ensure that his/hers business unit and the company as a whole performs well. In other words it is tightly connected with collective performance. To reward teams instead of individuals is likewise a fashion to reward collective performance, but to a lesser degree than the third recommendation of group rewards. In that regard the rewarding of teams can be thought of as meeting masculinity and femininity halfway. The last recommendation is the most telling for a feminine culture. Collective rewarding is the norm, individual rewarding is scorned. The

discussion in Hope and Fraser's book (2003a) provides ample evidence on assumptions that are likely to be culturally implicit. Jan Wallander, the former CEO of Handelsbanken, is quoted describing how motivation works in Handelsbanken. In the quote he tells of how his employees are motivated in the absence of individual based rewards.

*Essentially, motivation is based on the self-satisfaction of doing a good job for the company and the praise they will get. We have no specific proof of this, but it's what we believe and we think the evidence shows up in the results. – Jan Wallander (Hope and Fraser, 2003a: 77)*

Wallander does mention the need for recognition which is placed as a masculine value. This, along with the reward, is not contradictory to a feminine oriented culture. Feminine cultures appreciate rewards and recognition just as much as a masculine culture. The key difference lies in the perceived equality in the system. Everyone should be treated equal. For masculine cultures the notion of equity is the norm, meaning that if you are not among the top performers you get nothing – if not fired. However, the most interesting aspects of the quote are that Wallander points out that this is an implicit belief of how things work – and how the authors react to the statement. Hope and Fraser are as mentioned British, a country firmly placed in the masculinity part of the index. They feel compelled to address the objection that is to be expected from a culture that emphasise personal reward and recognition.

*Some people might argue that moving incentives away from individuals is a charter for producing free riders – those managers who keep out of the limelight yet produce little by way of results. The experience of Handelsbanken, however, suggests that this is not as big a problem as feared. In a team-based organisation driven by peer pressure, free riders are exposed very quickly and replaced by people more willing to commit themselves to real performance challenges. Hope and Fraser (2003a: 77)*

In Sweden this system seemingly works quite well. However, the concern over free riders is likely to be more prominent in a masculine culture. Hope and Fraser explain the functioning of the system with peer pressure, in other way socialising. This will suffice in a culture where this is the norm, but it is likely to be harder to adapt it to a masculine culture where one is to expected to concentrate on oneself rather than worry over the performance of colleagues – which may even be thought of as competitors.

The inspiration for the three recommendations was mentioned by Hope and Fraser. The multilevel performance contract is inspired by Borealis, a Danish joint-venture involving a Finnish and a Norwegian company, and Rhodia – a French company. The rewarding of

teams instead of individuals is taken from Groupe Bull, another French company. And lastly the group rewarding is Swedish, courtesy of Svenska Handelsbanken. Interestingly, all these countries are located on the feminine end of the spectre. Sweden and Norway are the most feminine while Denmark and Finland follow somewhat closer towards masculinity. If we were to place the three recommendations on how marked they are by the feminine dimension they would be more or less similar to the position of the countries that inspired them. The group rewarding would be all the way to the top of the femininity index while the multilevel performance inspired by Denmark, Norway, Finland and France would be closer towards masculinity. And lastly, the team performance rewarding inspired by France would be further still towards masculinity albeit still at the feminine end of the scale.

Hofstede holds that industrialised masculine cultures have a competitive advantage in manufacturing, especially in large volume – doing things effectively, well and fast (Hofstede & Hofstede, 2005:146). Feminine cultures have a relative advantage in service industries like consulting and transport and in manufacturing according to customer specification. The reason for this is that feminine and masculine cultures *humanise* work differently. Humanisation of work falls into the “third wave” theory of leaving the industrialisation era and adapting work more toward humans than machines. This process is different between masculine and feminine cultures. In masculine cultures the humanisation is in the direction of more opportunities for recognition, advancement and challenge. A view held by, amongst others, Herzberg (1959; Herzberg et al., 2008). In feminine cultures, on the other hand, a humanised job should give more opportunities for mutual help and social contacts.

Beyond Budgeting promotes through the principles 7 and 9 that everyone should be focused toward the customers and be organised in small teams – see table 2.2. Bearing in mind Hofstede’s view in the last paragraph, this may be relatively easier to cope with for a feminine culture due to the emphasis on people orientation and cooperation. However, it can also be argued that the approach can be adapted to play on the strengths of a masculine culture as well.

#### 4.2.4 Uncertainty Avoidance

The search for Beyond Budgeting was based upon two assumptions of Hope and Fraser. The first was that we are in the process of, or have entered, a third paradigm. The second is that traditional budgeting has inherent flaws that make it less suitable to meet the new demands.

It is the first assumption that makes a strong connection to the dimension of Uncertainty avoidance.

Hope and Fraser uses the terms the *third wave* and the *information age* (Hope & Fraser, 1997; 1999a; 1999b; Hope and Hope, 1997). They are likely to have picked them up from Alvin Toffler's "*The third wave*" (1980). In the book he describes three types of societies using the metaphor of waves - each "wave" pushes out the old. The first wave is the settled agricultural society which replaced the hunter-gatherer cultures. The second wave is the industrial age. It starts with the industrial revolution and is marked by standardisation, centralisation, concentration and synchronisation - it gave rise to a style of organisation called bureaucracy. The third wave is the post-industrial age which Toffler claims that most countries began the transition towards in the late 1950s.

Toffler lists knowledge production, information processing and the roll-back of standardisation among the key characteristics of the third wave. Information processing and knowledge production are to replace manufacturing as the primary economic activity. This is reflected by Hope and Fraser who claim that the second wave economic model stresses volume, scale and the recovery of fixed costs (Hope & Fraser, 1997). The third wave on the other hand is thought of as a model where innovation, service, quality, speed and knowledge-sharing are the defining factors. The competitive climate in the third wave is as consequence intensified.

The intensifying of competition makes long term planning harder as it increases uncertainty. Innovative competitors and increased customisation changes the competitive outlook for a company almost constantly.

The fact that the environment and competitive climate has become more uncertain does not necessarily mean that it favours countries that have high, or low, uncertainty avoidance. The need for uncertainty avoidance is *emotional*. Cultures that have a low tolerance for uncertainty are likely to meet uncertain surroundings with a structured approach. It does not follow that having a preference for uncertainty avoidance mean that they avoid risk. Rather they seek to avoid *ambiguity*. Cultures that have low uncertainty avoidance are more likely to prefer an unstructured or at least a less structured approach.

Beyond Budgeting removes the budget to plan for the future. That by itself has little impact for the dimension of uncertainty avoidance. If anything an uncertainty avoidant culture is

more likely to appreciate the suggested substitute of rolling forecasting as it should be a more reliable mean to estimate the near future. Yet there are aspects of Beyond Budgeting that clearly affect the dimension of uncertainty avoidance.

In Beyond Budgeting the best way to deal with environmental uncertainty is to empower the employees. This empowerment is coupled with increased responsibility – and increased ambiguity.

The first principle under management processes abolishes the need for fixed contracts. This is the part of the budgetary process where the employees negotiate, or alternatively are handed, a target to strive for. Hope and Fraser argue fervently for the need for flexible and relative targets and points to potential dysfunctions of having fixed contracts. However, making this transition renders the process more ambiguous. An employee will not during the year, or whatever period of time that passes between reviews, know how he performs. With the fixed contract arrangement the employee have the opportunity to check his progress against the target and be relatively sure on how the results are interpreted by the superior. In Beyond Budgeting benchmarking is the key. This means that the employee in ideal circumstances should have a clear understanding of how he is evaluated and what targets he should aim for. But, what he is measured against is for the most part unknown to the employee. This is especially true when the employee or the department of the employee is measured against external benchmarks, which is a type of benchmark that is not likely to be obtained on a very regular basis. This necessarily brings about increased ambiguity, which uncertainty avoidant cultures generally are less comfortable with than cultures with low uncertainty avoidance.

Another aspect of Beyond Budgeting that may affect the dimension of uncertainty avoidance is the level of freedom granted to the employees. More freedom does not by itself affect uncertainty avoidance, but the process of moving toward an organisational culture of responsibility and accountability may. Hope and Fraser see all formal rules that guide or dictate employee behaviour as superfluous or even as detrimental. Naturally they recommend to get rid of them and thereby betray an assumption typical for low uncertainty avoidance culture. The need for rules and for things to be written lies on the emotional level. Even if they are purely ritual, inconsistent or dysfunctional they may still satisfy employees' emotional need for formal structure. France provides a wonderful proverb about these sorts of rules that stems from 18<sup>th</sup> century ancient regime: *une règle rigide, une pratique molle* – a

strict rule, but soft practice. Phillippe d'Iribane (1998) revoked this proverb upon commenting on a French manufacturing plant that followed some procedures which had been divested for any practical meaning. Contrary to this are the low uncertainty avoidance cultures which are more likely to experience emotional horror of formal rules. It follows that a transition toward a more responsible corporate culture and increased operational freedom will be more demanding for a culture of high uncertainty avoidance. Beyond Budgeting is with its emphasis on no rules unless strictly called for, and inherent belief that many problems can be solved without formal rules, marked by low uncertainty avoidance.

### 4.2.5 Summary

The cultural dimensions of Beyond Budgeting are summarised in table 4.3 below.

*Table 4.3. Cultural dimensions of Beyond Budgeting*

<b>Power Distance</b>	<b>Small</b>
<b>Uncertainty Avoidance</b>	<b>Weak</b>
<b>Masculine Vs. Feminine</b>	<b>Feminine</b>
<b>Individualism Vs. Collectivism</b>	<b>Neutral</b>

## 4.3 Beyond Budgeting across the globe

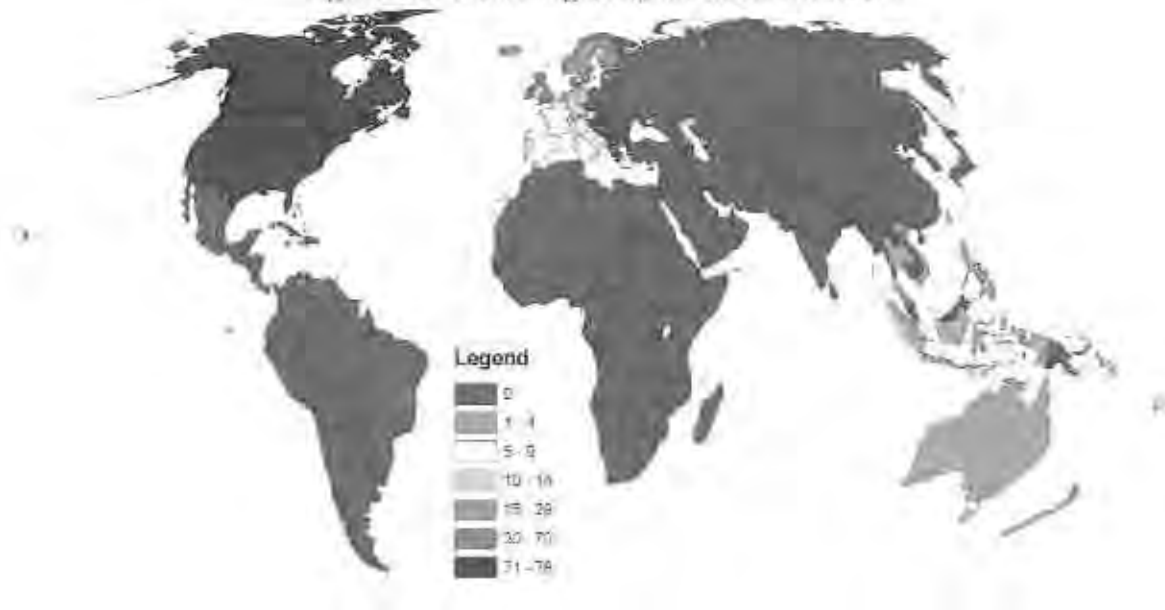
Since the introduction of Beyond Budgeting the concept has spread. An attempt to estimate the precise level would be far too complicated, and would not be necessary for this thesis. Rather, the spread of Beyond Budgeting around the world will be indicated by means of demonstrated interest.

The Beyond Budgeting Roundtable defines itself as an international shared learning network of member organisations with a common interest in transforming their performance management models to enable sustained, superior performance (BBRT, 2010). More precisely it is an organisation that is dedicated towards promoting and researching Beyond Budgeting. The organisation is funded by membership fees that grant the members access to case studies, research and workshops. This financing arrangement gives incentive to

promote, advertise and entice companies to adopt Beyond Budgeting. A consequence of this arrangement is that companies who are genuinely interested in Beyond Budgeting are likely to consider membership in the Beyond Budgeting Roundtable organisation. It is a relatively high membership fee, about €10 000. Thus we can get an indication of the spread of Beyond Budgeting, or rather interest in the concept, by consulting the membership lists.

The Roundtable was founded in 1998, when it separated from the CAM-I structure and had within its first year of existence 33 members (Hope & Fraser, 1999a). In 2001 the number had reached 45 (Fraser & Hope, 2001a) and in 2007 it totalled about 60 members (Scarlett, 2007). The total number of members of the Roundtable is estimated to be around 150 (Pläging & Borck, 2008). The membership fee is paid on an annual basis, thus there may be some who choose not to renew the membership but still maintain Beyond Budgeting. There are no published lists over which companies that have been members. However, by using the current membership list of the global Roundtable, the North-American branch and the Germanic branch's list of sponsors it is possible to piece together a list of about 160 companies (BBRT, 2010a; BBRTNA, 2010b; BBRTDACH, 2010c) – see appendix 7.3.2. This assembly may not be 100% accurate, but it should be close enough. Assigning a region, or two in the case of ABB and Unilever, to each member by where it is headquartered produces the distribution in figure 4.4.

*Figure 4.4: Home region of all BBRT members*





The map shows that the interest of Beyond Budgeting, as measured by membership in the BBRT, is highest in North America. Thereafter comes the UK and Ireland, the Nordic countries, the Germanic countries, Latin Europe and the Far East including New Zealand and Australia. This representation is simply a count of the number of companies from each nation that are or have been a member of the BBRT or a regional BBRT. The numbers have not been adjusted for the number of companies in each country. If this adjustment was done then Scandinavia would in all likelihood be the dominant region by quite a margin.

The map in figure 4.4 may not seem relevant to a critical reader as the membership lists contain several multinational companies with nearly worldwide presence. This dimension is lost when only considering the origin country. It should be kept in mind that most multinational companies (MNCs) maintain a strong national identity even if they are spread all around the globe. For example, only one in five of the boards of ostensible global US companies include a non-US national (Gooderham & Nordhaug, 2003). Even cross-national mergers and acquisitions usually end up with one clear nationality. MNCs with a genuine multinational identity are few. The exceptions can for the most part be found within professional services. Therefore it is of interest to see which nationality the companies that have shown interest of Beyond Budgeting have. It gives an indication of which cultures that have been enticed by the concept.

Nonetheless, the multinational aspect is important as well. If the top-management decides to go for Beyond Budgeting it is a natural second-step to introduce it to the company's foreign subsidiaries – particularly since Beyond Budgeting claim it is *universal*. Figure 4.5 depicts the worldwide presence of *current* BBRT (Global) members.

Figure 4.5: Worldwide Presence of current BBRT (Global) members



The map indicates the current global potential of the spread of Beyond Budgeting. The US comes out as relatively small especially compared to the map in figure 4.4. The reason for this is that the map in 4.5 is based solely on the *current* members of the global BBRT while the map in figure 4.4 is based on all current and historical members of BBRT global, BBRTNA and BBRTDACH. Had the map included the members of BBRTNA then the US would be relatively higher. The regional members and the historic members are not necessary to include in order to prove the point – that Beyond Budgeting has a gateway to practically the whole world through subsidiaries. Indeed, some companies have already exported Beyond Budgeting to countries in the “red” parts of the map in figure 4.4. Lastly, we can again note that if the observations had been adjusted for the number of companies in each country then Scandinavia would in all likelihood be the dominant region.

Scandinavia and North America are possibly the two regions that have demonstrated the greatest interest in Beyond Budgeting. In addition to this are the Germanic countries, which have a regional BBRT and have given Beyond Budgeting considerable academic attention. The thesis will look closer into these regions before discussing the rest of the world as a whole.

### 4.3.1 Scandinavia

Scandinavia is of course a perfect fit with Beyond Budgeting – see table 4.4 below. This does not mean that Scandinavia is a region of eternal triumph for Beyond Budgeting. Its success, failure or adequacy will depend on multiple factors, many of which have little to do with the cultural sphere. But the implementation of Beyond Budgeting should be simpler, and the efficiency of the concept should be higher, due to consistency with the overarching culture.

*Table 4.4: Cultural dimensions of Scandinavia*

<b>Power Distance</b>	Small
<b>Uncertainty Avoidance</b>	Weak
<b>Masculine Vs. Feminine</b>	Feminine
<b>Individualism Vs. Collectivism</b>	Individualist

Jan Wallander and Bjarte Bogsnes are the two most prominent figures in connection with Beyond Budgeting in Scandinavia. Jan Wallander abolished budgets at Handelsbanken in the 70's, long heralding Beyond Budgeting. In Sweden it has long been known as Budgetlöst Företagande (budgetless corporation) on which Beyond Budgeting to a large extent is built. Bjarte Bogsnes has written the book *Implementing Beyond Budgeting* (Bogsnes, 2009) in which he share his experiences of implementing the concept in two high-profile cases. The two of them differ on the point of departure. Wallander's approach is top-management initiated, while Bogsnes approach is initiated from the controller role. But, the two of them have at least one thing in common. They both view the concept and practice of Beyond Budgeting as simple. There are indeed absolute levels of simplicity, but in this context it is relative. The key point is not simplicity compared to other management accounting innovations or general management models – this may or may not be part of their intended meaning. Rather it is *other* people's perception of complexity they seek to remedy. They see it as simpler both in concept and execution than they believe some others do.

*When we [Hope & Fraser] wrote our first case report on Handelsbanken, we described its management model as "advanced." After reading the draft Wallander called us into his office. "You have misunderstood," he quietly informed us. "The model isn't advanced: **It is simple.**" Hope and Fraser (2003a:198-1999) (My emphasis)*

*When I first thought about writing a book about my 15-year-long journey "beyond budgeting," my immediate reaction was no. How could I possibly write 300 pages or more about something that actually is quite obvious and is basic common sense? – Bjarte Bogsnes (2009:xi)*

This is somewhat revealing. Hope and Fraser had, before the quote was delivered, spent a fair amount of time on understanding how companies run without budgets – including several interviews with Handelsbanken. It had apparently not stricken them as simple. Hope and Fraser eventually came to accept this notion of simplicity – blaming *layers of control, including budgeting* over time for meddling with their basic instincts.

Bogsnes starts his introduction with the quoted passage. He continues in the same introduction to tell of how he has shared his experiences at hundreds of conferences in Europe, the US, Asia, South America and Australia. He did find support, but also challenges and pushback. Bogsnes goes on to discuss the objections he has met along his path. I will go out on a limb and say that most of the countless managers and professionals he has discussed the concept with do not find the concept equally obvious. Apparently, his publisher was also uninformed about the simplicity as they did believe the concept warranted *another* book on the subject and pushed their will through.

This does not mean that neither Wallander nor Bogsnes is in error. There is no reason to suspect that this is not what they believe. The reason for which there is an apparent gap between Wallander's and Bogsnes' view that Beyond Budgeting is simple, and others view that it is not *that* simple is to be found in their assumptions. Assumptions are an integral part of culture. They are what one holds true and also what one expects others to hold true, or at least comply with. These assumptions may differ across cultures. Note that assumptions are not an exclusive domain for cultural influence, be it national or organisational. The notion that years of experience with traditional budgeting, that Hope and Fraser explains their "misconception" with, is likely to be a factor. However, one does not exclude the possibility of the other.

The assumptions that assure Wallander and Bogsnes that Beyond Budgeting is simple are founded in low uncertainty avoidance. If you just provide the employees with some guidance

and direction they will automatically deal with the uncertainty and figure matters out for themselves. This is something employees in a culture of low uncertainty avoidance are likely to be more or less comfortable with as they share similar assumptions of how things *should* work. Successful experiences with these assumptions will reinforce them and you are likely to not reflect more upon them. It works. However, when someone from a culture with stronger uncertainty avoidance examines the concept they are likely to wonder how this can function with hardly any structure. A natural approach to figure out *how* it works would be to apply structure, to try to identify some common rules or principles. This will be a difficult exercise since the solutions applied by the various employees will vary considerably depending on the type of work and company. The *solution* will thus be complex. To be able to understand the *simplicity* it will be necessary to evoke the underlying assumptions.

Low uncertainty avoidance is not the only dimension that comes into play. Jan Wallander presumes natural subordinate initiative and describes the manager's job as inducing his/hers "small bees and ants" to put in a good day's work (Wallander, 1999:412). This may work well in a country with low power distance, where the employees are schooled from young age to take initiative and encouraged to assume responsibility. And it may work just as well in a culture with high power distance. However, when introducing such a leadership style it is likely to be less effective in a culture where employees are used to accepting orders and not to oppose the boss. It is likely to be less efficient due to uncomfortable employees, and a manager who is less likely to hear about how the employees view potential problems. As such, this assumption is firmly rooted in a culture with low power distance. This is also an underlying assumption for Bogsnes, perhaps the strongest, who sees the notion of *control* so horrific that he almost does not bear the mere evoking of the term:

*How do you feel if you someone tells you they are going to "manage your performance"? I know what my response is. My defen[e]e system immediately goes on red alert. Nobody is going to mess around in my head! Nobody is going to pull strings as if I am some kind of dancing marionette! – Bjarte Bogsnes (2009:xiv)*

This quote seemingly puts Bogsnes off the cultural dimensions scale due to its extremeness. Which forces the question; can he be accepted as an example of his surrounding culture? This thesis' answer is that he can. Bogsnes has adopted a rhetorical style in his book that makes considerable use of *pathos* – emotional appeals to the reader. A part of this is the use of hyperboles, which implies that some of the passages are meant to be taken with a pinch of salt.

There are also examples of the dimension of masculinity from Scandinavia. These have already been mentioned and can be found in section 4.2.3.

### 4.3.2 North America

The North American region is the region with the most members at the Roundtable, and they have their own regional BBRT branch. Compared with Scandinavia this region is similar, but not identical, on the dimensions of power distance, uncertainty avoidance and individualism – see table 4.5 below. The greatest difference is to be found in the dimension of Masculinity where Scandinavia is feminine and North America masculine.

*Table 4.5: Cultural dimensions of North America*

<b>Power Distance</b>	Small/Medium
<b>Uncertainty Avoidance</b>	Weak
<b>Masculine Vs. Feminine</b>	Masculine
<b>Individualism Vs. Collectivism</b>	Strongly Individualist

Since North America has its own regional branch of Beyond Budgeting led by Steve Player we can start the comparisons there. The web site BBRT.org portrays itself as the global site, yet in practise it can be thought of as the European one. The European branch is headed by Peter Bunce, who has worked closely with Hope and Fraser and seems to share the same understanding of the concept. The information on the BBRT web site is therefore assumed to be close to the Scandinavian realisation of Beyond Budgeting.

The North American Beyond Budgeting Roundtable, from here on BBRTNA, describes itself as:

*The Beyond Budgeting Round Table (BBRT) is a network of member organizations with a common interest in **improving planning, forecasting and control, thereby improving overall performance**. The BBRT helps organizations learn from world-wide best practice studies and encourages them to share information, past successes and implementation experiences to develop **dramatically improved solutions** to traditional budgeting constraints.*

*– BBRTNA, 2010 (My emphasis)*

The organisation orients itself clearly towards performance or achievement if you will. This is where one would expect the focus to lie in a masculine culture. Let us compare this description with how the global/European branch describes itself:

*The BBRT is an international shared learning network of member organisations with a common interest in **transforming their performance management models** to enable sustained, superior performance. BBRT helps organisations learn from world-wide best practice studies and encourages them to share information, past successes and implementation experiences to **move beyond command and control.***

- BBRT, 2010 (My Emphasis)

The aspect of improvement and performance is, naturally, also part of the European description. However, the focus is different. The main issue here is to transform the management model and *as a consequence* performance is improved. The management models that need to be transformed are those marked by command and control. This is a notable absence in the North American description. The difference between Scandinavia and North America on the power distance dimension is not tremendous. Nonetheless, it is large enough to allow for some managerial differences. In North America as in Scandinavia it is expected that subordinates participate in managers' decisions. The difference is that in North America it is the manager's responsibility to initiate participation. In Scandinavia a manager who unilaterally initiates participations is unacceptable (Gooderham & Nordhaug, 2003:138). In that perspective it is not surprising that the North American approach de-emphasises the beyond command and control aspect of Beyond Budgeting.

The description of the Roundtables reveals differences that can be attributed to the cultural dimensions. Still, the descriptions can be seen as part of the pitch, designed to entice potential clients to sign up and cough up the membership fee. If that is the case it does not necessarily follow that the Beyond Budgeting as a model is applied differently in North America. The description may simply have been altered to increase the appeal of the message. To some degree this may be the case, but the presentation of the concept is likely to affect its application. And regarding the presentation of Beyond Budgeting, the North American approach is radically different. The BBRTNA has sliced the number of principles in half. The principles that remain coincide with the principle 1, 3 and 5 for management processes and 2, 3 and 6 for leadership principles – see tables 2.1 and 2.2. The general focus is shifted strongly towards the performance management part on the expense of the general

management part (Becker et al., 2010). This will have an effect on how Beyond Budgeting is applied in North America.

*And I think Steve Player [head of the BBRTNA], from what I see from the advertisements of his conferences is **not** throwing the budget away. He is taking account of the budget and relaxing some of the constraints of the budget to make it more flexible, more adaptable. – Michel Lebas (Becker et al., 2010:22) (Original emphasis)*

*In the US, the BBRT is strongly focused on performance management rather than on the transformation and leadership aspects of Beyond Budgeting. (...) We say that it must be all 12 principles, or nothing. And on the other side, in the US, for example, the colleagues chose what they sometimes call a more pragmatic stance. – Niels Pfläging (Becker et al., 2010:22)*

The presentation and interpretation of Beyond Budgeting in North America is different from how it is presented and interpreted in Scandinavia. These differences are consistent with differences on the cultural dimensions between the regions. In this case a masculine in place of a feminine culture and a minor difference in power distance.

### 4.3.3 Germania

The Germanic countries differ from Scandinavia in that they have strong uncertainty avoidance and are masculine – see table 4.6 below.

*Table 4.6: Cultural dimensions of Germania*

<b>Power Distance</b>	Small
<b>Uncertainty Avoidance</b>	Strong
<b>Masculine Vs. Feminine</b>	Masculine
<b>Individualism Vs. Collectivism</b>	Individualist

Beyond Budgeting has sparked a great interest in the Germanic countries. The region even has its own branch of the Beyond Budgeting Roundtable (BBRTDACH). DACH is an acronym composed of Germany (country code: DE), Austria (country code: AT) and Switzerland (country code: CH). Besides the regional Roundtable, there has been considerable academic interest along with company interest.



There have been published numerous academic articles and books about Beyond Budgeting in German. German Jürgen Daum has two books on Beyond Budgeting to his name (2002; 2005), Swiss Niels Pfläging has four publications concerning Beyond Budgeting (Pfläging, 2003; 2006; 2009; Pfläging & Borch, 2008). In addition to this a German consultancy firm has translated Hope and Fraser's book on Beyond Budgeting (2003b).

This interest enticed at least two Germanic consulting firms to investigate Beyond Budgeting further and introduce the concept to their clients. Interviews with the two companies, Horváth & Partners and CTCOM are performed by Becker et al. (2010). The companies found it hard to convince clients; the key argument against Beyond Budgeting was that there were not enough competitors and renowned firms that had adopted Beyond Budgeting in the Germanic countries. This is perhaps not a surprising argument from a culture with strong uncertainty avoidance:

*The first question they would ask is "please tell me three of my peers that also do this." So this is **the killer-argument par excellence**. Then if you say: "I don't really know one either", then they will tell you: "then I don't want to be the first one." – Partner in Horváth & Partners (Becker et al., 2010:26) (Original emphasis)*

Another aspect that may be attributed to uncertainty avoidance is the quotes that, in this thesis' interpretation, concern the need for recipe or structure supplied by comparable firms. Structure is greatly appreciated in cultures with strong uncertainty avoidance as it provides a mean to deal with the inherent uncertainty of introducing something new.

*So the concrete Beyond Budgeting concept does not work because we believe it may **only** work in companies that exhibit little complexity and which are organised in a very decentralised way. – Partner in CTCOM (Becker et al., 2010:26) (Original emphasis)*

*From my point of view, this only works in exceptional cases. – Partner in Horváth & Partners (Becker et al., 2010:26)*

There can be alternative interpretations of these quotes, but they are nonetheless consistent with strong uncertainty avoidance. The consulting firms have independently reached the same conclusion. They both perceive a lack of cases that Germanic companies can identify themselves with. From this it appears that they jump to the conclusion that the lack of cases they can identify themselves with is because it does not work in similar companies – or a Germanic context to drive the point home.

In any case, the interest sparked in the Germanic countries signifies a strong interest in the concept and at least one Germanic consulting firm took inspiration from Beyond Budgeting. Horváth & Partners conceived a concept they called Advanced Budgeting which they acknowledge is inspired by Beyond Budgeting. It should be noted that the chief motivation for adapting the concept lied in that the Beyond Budgeting approach necessitate a change of company culture. This in turn implies a time horizon of such a length that few companies would be willing to commit to a consultant. Their concept of Advanced Budgeting is not explained in the context, so it is difficult to speculate to what degree they have adapted to suit the Germanic cultural context. Nonetheless, the continuation of budgets and apparent de-emphasis on the organisational culture makes one suspect that it resembles the North American approach to Beyond Budgeting.

There are, however, cases of Germanic companies that have adopted Beyond Budgeting, or tried to – as indicated by the membership lists of BBRT. PriBa is a Swiss private bank that abandoned budgets in 2003 (Case by Becker et. al, 2010). This experience reached its end in 2007, coinciding with the financial crisis and resignation of PriBa's Chief Executive Officer and Chief Financial Officer – the two who had driven the change in the company. The reason for the eventual failure is multi-faceted. First and foremost any revolting change in process is likely to meet its demise when key supporters at the top level are removed. Secondly, the transformation had failed to deliver satisfactory results. The company had performed well from the introduction of Beyond Budgeting until 2007 and even boosted revenues. But, upon revision it was found that cost/income ratio had increased along with a *disregard* of risk. Lastly there is the issue of cultural conflicts. Upon revision the employees believed that the changes had occurred too quickly, in the sense that a corresponding shift in company culture did not have time to materialise. This touches on aspects that go beyond the scope of the national cultural dimensions, but there are nonetheless some interesting quotes that could be textbook examples of strong uncertainty avoidance:

*"And then they [subordinates] said "I think we need a new safe. We don't have budgets any longer, so what shall we do?" I asked "Do you **need** a new safe?" That's the thing, had it been budgeted then we would have replaced the safe. But the core of the question is: Do we **need** it for any reason? [...] Are clients somehow [happier], do we make more profits with it? These were the typical discussions. There was a big uncertainty because people did not know how to act. – Former head of planning, PriBa (Becker et al., 2010:35) (Original emphasis)*

The uncertainty of such a transition will also be felt by employees in an identical company in a culture with weak uncertainty avoidance. The process is though likely to be more demanding for the company with strong uncertainty avoidance. This does not mean that completing the transition is impossible; more than likely the employees would have learned to adjust to the new reality if the practice had continued.

*[The new CEO] comes in and says "Now tell me what you want to spend on consulting fees [in the next year]." Then we tell him that we don't know and that we can only tell him what we spent last year. What we will spend this year, we don't know [because we did not plan it]. Because these are decisions taken by the decentralised units. So this makes him a bit nervous, I suppose because he does not know what happens there. That touches on the control instinct a little bit." Former head of planning, PriBa (Becker et al., 2010:35).*

The reaction of the CEO might have been entirely the same if the person was Scandinavian, for all I know that may be the case. The new CEO chose to abandon Beyond Budgeting and reintroduce budgets and top-down guidelines. It is a fitting illustration for this thesis that the former head of planning ascribes the reaction of the new CEO to a "control instinct" – which is consistent with strong uncertainty avoidance.

Becker et al (2010) describes another Germanic case, an Austrian based petrochemical company created through a merger of two Scandinavian companies. Beyond Budgeting in SpecChem met the same fate as in PriBa, but the SpecChem case is much more complex so I will not go into details. I will however extract a couple of quotes that illustrate the role of the cultural dimensions:

*The appointed reengineering team took a very structured approach to the abandonment of budgets. – Becker et al. (2010:36)*

*(...) there was a management change in 2001 that involved the positions of the CFO, the CFO, the Executive Vice President and the HR Vice President. The former, predominantly Scandinavian managers were replaced by Anglo-Saxon managers who felt the need to have more control. For them, the idea of having no budgets was tantamount to having no control. – Becker et al. (2010:38)*

The first quote illustrates the importance of structuring the approach in order to deal with the inherent uncertainty of the process. The second is Becker et al.'s interpretation of *one* of the reasons why Beyond Budgeting did not work out. As we have seen in section 4.3.2 about North America they seem to prefer the control provided by the budget. However, the quote should be read critically – the perceived need for control is likely to be very high indeed for

a new regime in tumultuous circumstances. So, the result might have been identical regardless of the cultural background of the new management.

#### 4.3.4 Rest of the World

Scandinavia, North America and the Germanic countries are the three regions where the interest has been highest measured by members and research. On the same note it should be mentioned that the United Kingdom also have quite a few member companies. The Middle East and Austral-Asia has its own regional BBRT, as did South America for a period.

The indicated spread of Beyond Budgeting in the beginning of this section is of course far from complete. Firstly, it assumes that all members have adopted Beyond Budgeting. That is certainly not accurate. Secondly, the indicative spread ignores companies that have implemented Beyond Budgeting without being members – assuming that the compiled membership list is even accurate.

There are Beyond Budgeting cases to be found in cultures that differ more than the regions written about above. One example of this is Brazilian Semco that has been described as a success (Bognes, 2010). Many other cases are highlighted in the Beyond Budgeting literature of companies outside Scandinavia that have successfully introduced Beyond Budgeting. These cases are, however, difficult to assess because most of them are written or referred by the BBRT or persons connected with BBRT. This is not to say that the cases are not trustworthy, rather that they may have been designed for a different purpose than research. This purpose seems to be to promote Beyond Budgeting, to convince potential adopters that this is the way to go – the motivation for this can be ideological. Whatever the reason might be it has led to case descriptions that are overwhelmingly one-sided. They tend to follow a basic recipe of describing how dysfunctional their former system was, that they overcame, and how terrific the new reality is. This is to some degree useful. It does provide proof that Beyond Budgeting is not *impossible* to introduce anywhere in the world almost regardless of national culture. I do not doubt the descriptions of the successful Beyond Budgeting cases around the world, although there are examples of “successes” that ended in failure after the case was written (e.g. Carnaud Metal box). But the generalisability of them can be questioned. Are these cases models that demonstrate that the applicability of Beyond Budgeting is alike anywhere in the world? This is a view held by Hoop and Fraser (2001) and Bognes (2010). This thesis is not ready to accept that view point on two grounds. Firstly

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there is a lack of cases that describe *unsuccessful* implementations of Beyond Budgeting of which there certainly are more than the two mentioned in this thesis. Such cases would better illustrate problems with implementation, and allow for investigating whether these can be culturally related. Secondly, the claim that one success means that others will be a success as well is a fallacy. The same claim could be made the other way. One disaster case in a country could be taken to mean that it would be impossible for any company to successfully work Beyond Budgeting. Thirdly, a distinction should be made between companies from outside Scandinavia that adopt Beyond Budgeting on their own, and between those that are subject to exportation as a foreign subsidiary. Even if there is an overarching national culture, a given member, be it at an individual or an organisation, is not predetermined to act in accordance with it. The cultural dimensions describe relative differences, by this is meant that you find more companies that behave in accordance with high power distance in a country that scores high on the dimension than you will in a country that scores low. Exceptions are possible. This should be kept in mind when using individual examples to generalise from. There is reason to suspect that there is a certain degree of self-selection involved when a company such as Semco adopts Beyond Budgeting – in that it is an exemption from the overarching culture and more consistent with the Beyond Budgeting values. Therefore it may not be representative for its fellow Brazilian companies.

For the world at large the indicative spread seems to go in line with European and North American companies. This is not surprising as management accounting innovations usually stay within the Western hemisphere (Granlund & Lukka, 1998). There are nonetheless Beyond Budgeting companies from cultures that diverge more from the Scandinavian culture than the European and North American culture. Many of them do well. The implication is that Beyond Budgeting can be applied practically anywhere in the world. However, the cultural dimensions should not be overlooked as there is good indication that they can affect the speed of implementation and the efficiency of Beyond Budgeting. Furthermore, some cultural dimensions have apparently warranted adaptations as the North America approach is an example of.

## 5. Conclusion

The problem statement for the thesis was as follows:

**IS BEYOND BUDGETING PECULIARLY SCANDINAVIAN, AND IF SO WHAT DOES IT ENTAIL FOR ITS APPLICABILITY ACROSS THE WORLD?**

Before attempting an answer I shall address the research questions.

### 5.1 Where did Beyond Budgeting originate?

Beyond Budgeting originates from practice and the cases on which the concept is built have been taken from several countries. However, when the cases were counted on the number of times they had been referred in the Beyond Budgeting literature, with Hope and Fraser as authors, the Scandinavian countries stood out along with the United Kingdom. When the in-depth cases were considered the United Kingdom fell through. This should be more than sufficient to claim that Beyond Budgeting is predominantly of Scandinavian origin. The conclusion can be fortified by pointing out that the two most prominent pioneers of Beyond Budgeting are Scandinavian.

### 5.2 What are the cultural peculiarities of Scandinavia?

Culture is a wide concept. This thesis has relied on Hofstede's framework for the cultural dimensions when describing national/regional cultures. This has not by any measure equipped this thesis to reveal all cultural peculiarities held in the Scandinavian countries. Hofstede's dimension has nevertheless enabled the thesis to define Scandinavian culture on the basis of four scored dimensions that can easily be compared with other countries/regions.

The Scandinavian countries are on Hofstede's cultural dimensions characterised by low power distance, weak uncertainty avoidance, femininity and individualism. This combination is peculiar to Scandinavia and the Nordic countries.

There are two other regions which have demonstrated a particular interest in Beyond Budgeting. These are North America with the United Kingdom, and the Germanic countries. For comparison, the Anglo-Saxon culture shares the weak uncertainty avoidance and is on

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the same side of the scale on individualism and power distance – they are more individualistic and have a bit higher power distance. The largest difference is on the masculine scale where the Anglo-American culture is fairly masculine. The Germanic culture shares the small power distance and individualism. It differs on the masculinity dimension and uncertainty avoidance.

### 5.3 Can these cultural peculiarities be found in Beyond Budgeting?

It is not unreasonable to suspect that cultural traits from the surrounding culture find their way into a theory or concept. The reason is that culture has an impact on assumptions that a concept rests on. In Beyond Budgeting's case the model is drawn from real-life practices which are certainly a subject for cultural influence. By using the descriptions and examples provided by Hofstede and other cultural researchers the approach was to look for principles, guidelines and recommendations that were consistent – or inconsistent – with the cultural dimensions.

For the dimension of power distance it can be concluded beyond doubt that Beyond Budgeting is consistent with small power distance. Beyond Budgeting's focus on decentralisation and empowerment of subordinates is what makes for small power distance.

For the dimension of uncertainty avoidance it can also be concluded that Beyond Budgeting is coupled with weak uncertainty avoidance. The empowerment of subordinates is advocated along with the adoption of a minimum of goals and boundaries. This entails uncertainty on the *emotional* level which strongly favours cultures with weak uncertainty avoidance.

For the dimension of individualism no conclusive answer was reached. It is apparent that Beyond Budgeting is rooted in assumptions that are of an individualist nature. But, this thesis was unable to find this dimension as part of Beyond Budgeting. This implies that individualism should have little impact on the use and efficiency of Beyond Budgeting.

For the dimension of masculinity the conclusion is that Beyond Budgeting is feminine, although in an optional degree – depending on choice of the recommended incentive systems. Further it is conceivable that the feminine cultures have a relative advantage with regard to team and group work, which is something Beyond Budgeting heavily advocates.

In conclusion Scandinavia's cultural peculiarities can be re-found in Beyond Budgeting, with the exception of individualism which is seemingly neutral for Beyond Budgeting. Nevertheless, the dimensions that could be identified imply that Beyond Budgeting is not free from a peculiar cultural context. This means that the concept should be expected to work more efficiently in the Scandinavian cultural context. Consequently, it can be expected to be less efficient in other cultural contexts. This serves to invalidate the claim that Beyond Budgeting is universal.

## 5.4 How does Beyond Budgeting's cultural peculiarities manifest across the world?

There is no standard recipe for implementation of Beyond Budgeting so there are many ways to Rome. Implementation is likely to differ from company to company for a wide range of reasons. Of concern for this thesis are differences that can be traced to cultural dimensions.

In the analysis of Scandinavia underlying assumptions were highlighted, and to an extent credited for the functioning of some parts of Beyond Budgeting. Attention was drawn to the cultural dimensions where these assumptions were likely to be founded. The point that was made is that these assumptions are not necessarily shared outside the Scandinavian cultural context. As such, failure to evoke these assumptions when applying Beyond Budgeting outside Scandinavia risks leaving recipients of the concept puzzled. This is likely to lengthen the transition period of Beyond Budgeting, decrease efficiency and increase the chance of abandonment.

For the Germanic countries, the thesis showed concrete examples of how Germanic companies encountered challenges that can, at least partly, be ascribed to cultural differences. These countries were particularly exposed to the dimension of uncertainty avoidance.

The major finding was the North American approach, which was fundamentally different from what can be called the European approach. It is clear that the promotion, rhetoric and suggested principles have been adapted to become a better fit with the North American culture.



There are companies in the North America, the Germanic countries and even in countries that are relatively more different to the Scandinavian cultural context that have successfully worked Beyond Budgeting. And there are Scandinavian companies who have abandoned Beyond Budgeting. The examples should as such not be taken as impenetrable barriers to the functioning of Beyond Budgeting outside Scandinavia. Rather they are potential challenges that can decrease both speed of implementation and efficiency of the concept if not accounted for.

## 5.5 Conclusion

### **IS BEYOND BUDGETING PECULIARLY SCANDINAVIAN, AND IF SO WHAT DOES IT ENTAIL FOR ITS APPLICABILITY ACROSS THE WORLD?**

This thesis' conclusion is that Beyond Budgeting carries cultural traits that are peculiar for Scandinavia. This has led to a markedly different approach towards the concept between North America and Europe. There are examples of cultural differences that have created problems for the implementation and effectiveness of Beyond Budgeting outside Scandinavia. Furthermore the spread of Beyond Budgeting, as indicated by the members of BBRT, reveals concentration of Beyond Budgeting in Anglo-Saxon countries and Scandinavia - where Scandinavia is truly dominant if the number of members had been adjusted for the number of companies.

Since Beyond Budgeting is peculiarly Scandinavian it is not equally applicable across the world. Adaptation and adjustment will be required to ensure maximum efficiency of the concept outside Scandinavia

Hope and Fraser has been asked the question if the concept will work just as well outside Scandinavia. They went as far as to state they were *sure it is not some peculiar cultural phenomenon* (Hope and Fraser, 2001:20). On the follow-up question they did concede that different cultures required adaption, and held up an example where a Swedish company used three to four years to implement Beyond Budgeting in a Hungarian subsidiary instead of their usual period of one to two years (Hope & Fraser, 2001:21).

Statoil is a Norwegian company that is in the process of implementing Beyond Budgeting in foreign subsidiaries. A representative for the foreign implementation was asked if he had

encountered any culturally related conflicts in connection with the implementation he responded that he had not, and did not expect to either (BB-conference, 2010d).

This thesis' conclusion challenges these assumptions. Hofstede states that exporting management systems is courting failure (Hofstede, 1980b). This thesis believes he may well be proven right if those promoting and implementing the concept in foreign cultures flat out ignore any cultural interplay.

The concept of Beyond Budgeting cannot be assumed to be universal.

A more fruitful approach is, in this thesis' opinion, to be aware of the cultural differences that exist between Beyond Budgeting as it is and the local culture. This should enable the implementer to anticipate problems and make adjustments to the model in order for Beyond Budgeting to function as intended.

This conclusion ends with a reference to Newman and Nollen's (1996) conclusion to the fit between management practices and national culture:

*Being culturally sensitive pays*

## 5.6 Further Research

This thesis has concluded that Beyond Budgeting is not free from its cultural origin. Nonetheless, Beyond Budgeting has worked, apparently, successful in culturally diverse countries. This lends credence to the claim that Beyond Budgeting can be exported abroad. However, since Beyond Budgeting maintains a cultural identity even in its most general presentation adjustments will be needed to adapt to foreign cultures. This thesis should, in that regard, be useful for researchers, and practitioners, who want to investigate adjustments that can be made, or how culture has its effect. This thesis provides three suggestions for researchers looking to follow this path.

The first is to conduct detailed case studies. The most fruitful approach should be to conduct the study in a multinational company that have exported Beyond Budgeting to a relatively cultural different subsidiary. Adjustments that have been made, if any, to increase the fit of Beyond Budgeting to the local culture can hopefully be generalised to apply for other

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companies in similar cultures – or with similar relative position on one or more of the dimensions.

The second is to survey Beyond Budgeting companies in different regions on the cultural dimensions and compare the results with the cultural dimensions of Beyond Budgeting in this thesis. A possible hypothesis could be that companies that are consistent with Beyond Budgeting's cultural dimensions will have higher profitability because the concept should work more efficiently.

The third is to expand the scope of the cultural analysis by drawing on complementary research on cultural differences. Such a study would be too big to have a scope of more than a handful of countries. But, on the other hand it would allow for an increased level of detail. For example, the study could compare Sweden and Norway and how Beyond Budgeting is applied in the two countries. In this thesis the two countries are treated as equals, even if there are important cultural differences between the countries.

For researchers looking to understand the diffusion process of management accounting innovations this thesis could be useful. Since Hofstede's dimensions are scored, Beyond Budgeting's cultural dimensions could also be assigned a score. That would allow for it to be used in statistical analysis of factors in the diffusion process of Beyond Budgeting.

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## 7. Appendix

### 7.1 Nationality of referred companies

Country	Country	Company	# of references	In depth
Denmark		Borealis	11	1
Denmark		ISS	1	
France		Schlumberger	3	
France		Carnaud Metal Box	2	
France		Groupe Bull	2	
France		Rhodia	1	1
Netherlands	UK	Shell	1	
Norway		Fokus Bank	2	
Sweden		Svenska Handelsbanken	16	7
Sweden		Volvo	9	
Sweden		IKEA	7	
Sweden		SKF	7	
Sweden		Ahlsell	4	2
Sweden		Ericsson	3	
Sweden		KF	1	
Sweden		AES	1	
Switzerland	Sweden	ABB	2	
Switzerland		UBS	1	
UK		Boots	6	
UK		BP/ BP-Amaco	3	
UK		Bulmers	3	
UK		Sight Savers International	3	
UK		Nuclear Electric	1	
UK		Diageo/UDV Guinness	2	
UK		Leyland Trucks	1	1
USA		GE	4	
USA		Hewlett-Packard	2	
USA		Ciba Vision	2	
USA		3M	1	

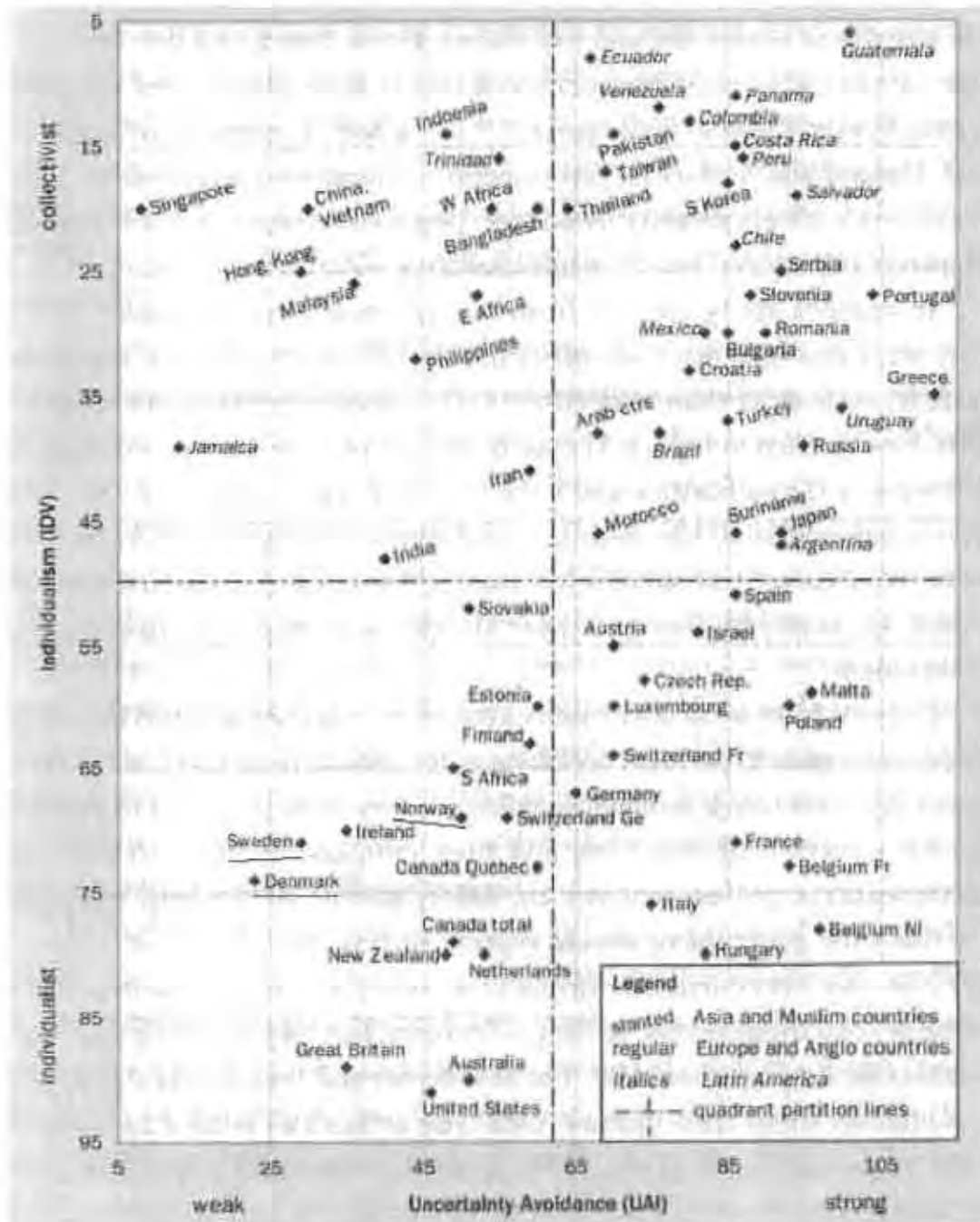
References: Hope and Fraser (1997-2003)

Inspiration: Becker et al. (2010)

## 7.2 Hofstede's scores and ranks

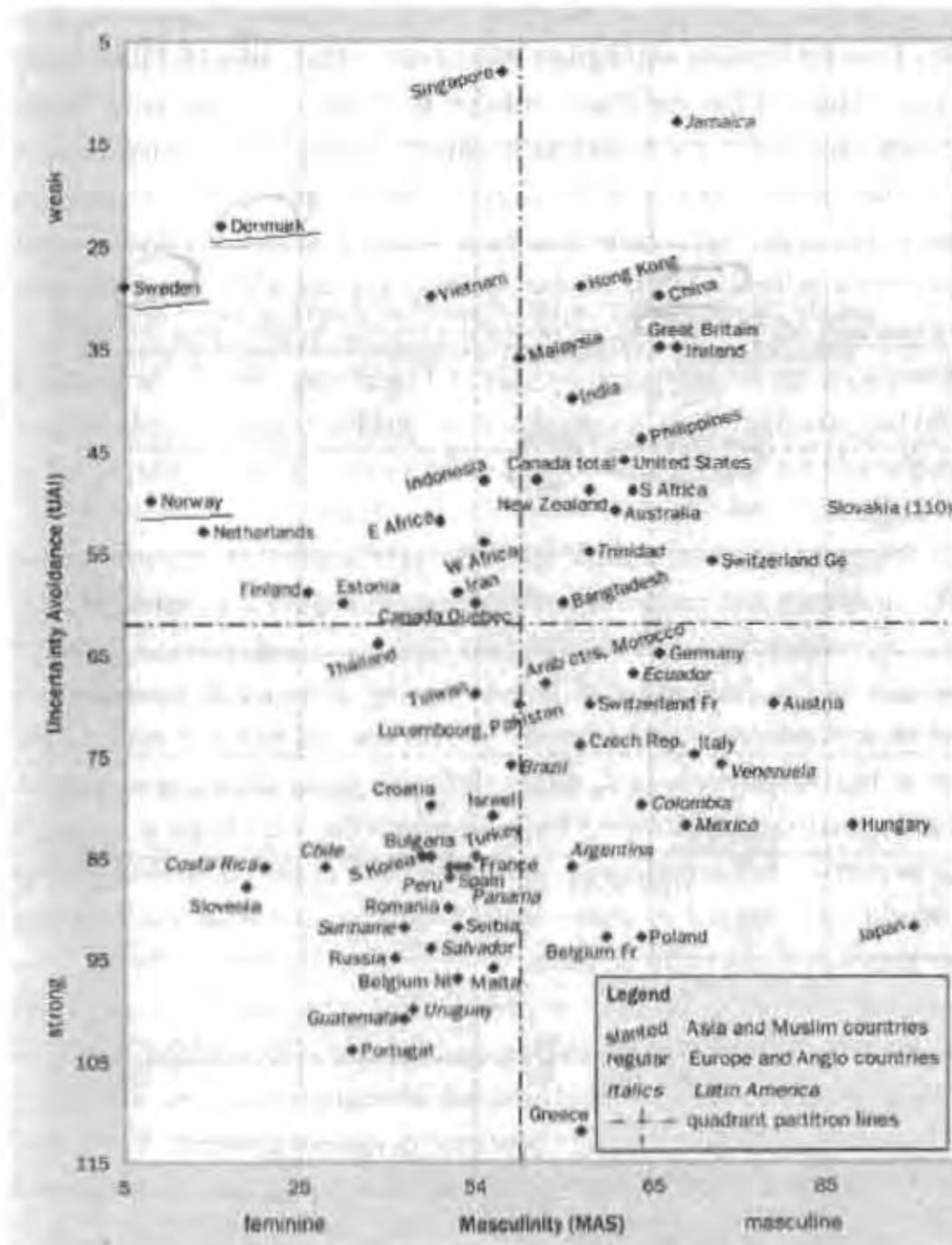
Country	Power distance		Individualism		Masculinity		Uncertainty avoidance	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Argentina	49	35-6	46	22-3	56	20-1	86	10-15
Australia	36	41	90	2	61	16	51	37
Austria	11	53	55	18	79	2	70	24-5
Belgium	65	20	75	8	54	22	94	5-6
Brazil	69	14	38	26-7	49	27	76	21-2
Canada	39	39	80	4-5	52	24	48	41-2
Chile	63	24-5	23	38	28	46	86	10-15
Colombia	67	17	13	49	64	11-12	80	20
Costa Rica	35	42-4	15	46	21	48-9	86	10-15
Denmark	18	51	74	9	16	50	23	51
Ecuador	78	8-9	8	52	63	13-14	67	28
Finland	33	46	63	17	26	47	59	31-2
France	68	15-16	71	10-11	43	35-6	86	10-15
Germany (F.R.)	35	42-4	67	15	66	9-10	65	29
Great Britain	35	42-4	89	3	66	9-10	35	47-8
Greece	60	27-8	35	30	57	18-19	112	1
Guatemala	95	2-3	6	53	37	43	101	3
Hong Kong	68	15-16	25	37	57	18-19	29	49-50
Indonesia	78	8-9	14	47-8	46	30-1	48	41-2
India	77	10-11	48	21	56	20-1	40	45
Iran	58	19-20	41	24	43	35-6	59	31-2
Ireland	28	49	70	12	68	7-8	35	47-8
Israel	13	52	54	19	47	29	81	19
Italy	50	34	76	7	70	4-5	75	23
Jamaica	45	37	39	25	68	7-8	13	52
Japan	54	33	46	22-3	95	1	92	7
Korea (S)	60	27-8	187	43	39	41	85	16-17
Malaysia	104	1	26	36	50	25-6	36	46
Mexico	81	5-6	30	32	69	6	82	18
Netherlands	38	40	80	4-5	14	51	53	35
Norway	31	47-8	69	13	8	52	50	38
New Zealand	22	50	79	6	58	17	49	39-40
Pakistan	55	32	14	47-8	50	25-6	70	24-5
Panama	95	2-3	11	51	44	34	86	10-15
Peru	64	21-3	16	45	42	37-8	87	9
Philippines	94	4	32	31	64	11-12	44	44
Portugal	63	24-5	27	33-5	31	45	104	2
South Africa	49	36-7	65	16	63	13-14	49	39-40
Salvador	66	18-19	19	42	40	40	94	5-6
Singapore	74	13	20	39-41	18	28	8	53
Spain	57	31	51	20	42	37-8	86	10-15
Sweden	31	47-8	71	10-11	5	52	29	49-50
Switzerland	34	45	68	14	70	4-5	58	33
Taiwan	58	29-30	17	44	45	32-3	69	26
Thailand	64	21-3	20	39-41	34	44	64	30
Turkey	66	18-19	37	28	45	31-3	85	16-17
Uruguay	61	26	36	29	38	42	100	4
United States	40	38	91	1	62	15	46	43
Venezuela	81	5-6	12	50	73	3	76	21-2
Yugoslavia	76	12	27	33-5	21	48-9	88	8
<i>Regions:</i>								
East Africa	64	21-3	27	33-5	41	39	52	36
West Africa	77	10-11	20	39-41	46	30-1	54	34
Arab countries	80	7	38	26-7	53	23	68	27

### 7.2.1 Uncertainty Avoidance versus Individualism



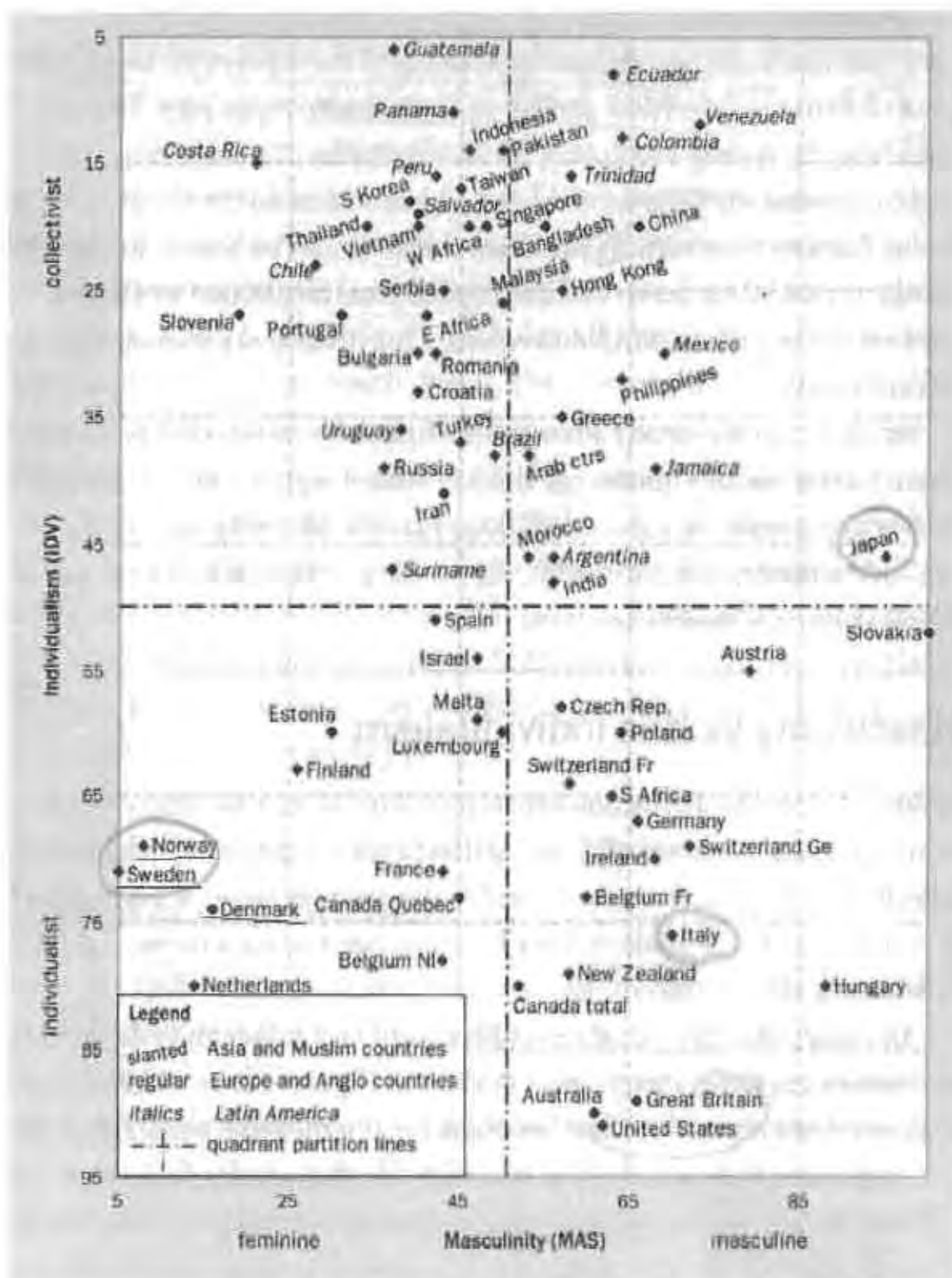
- Hofstede & Hofstede (2005:191)

## 7.2.2 Masculinity versus Uncertainty Avoidance



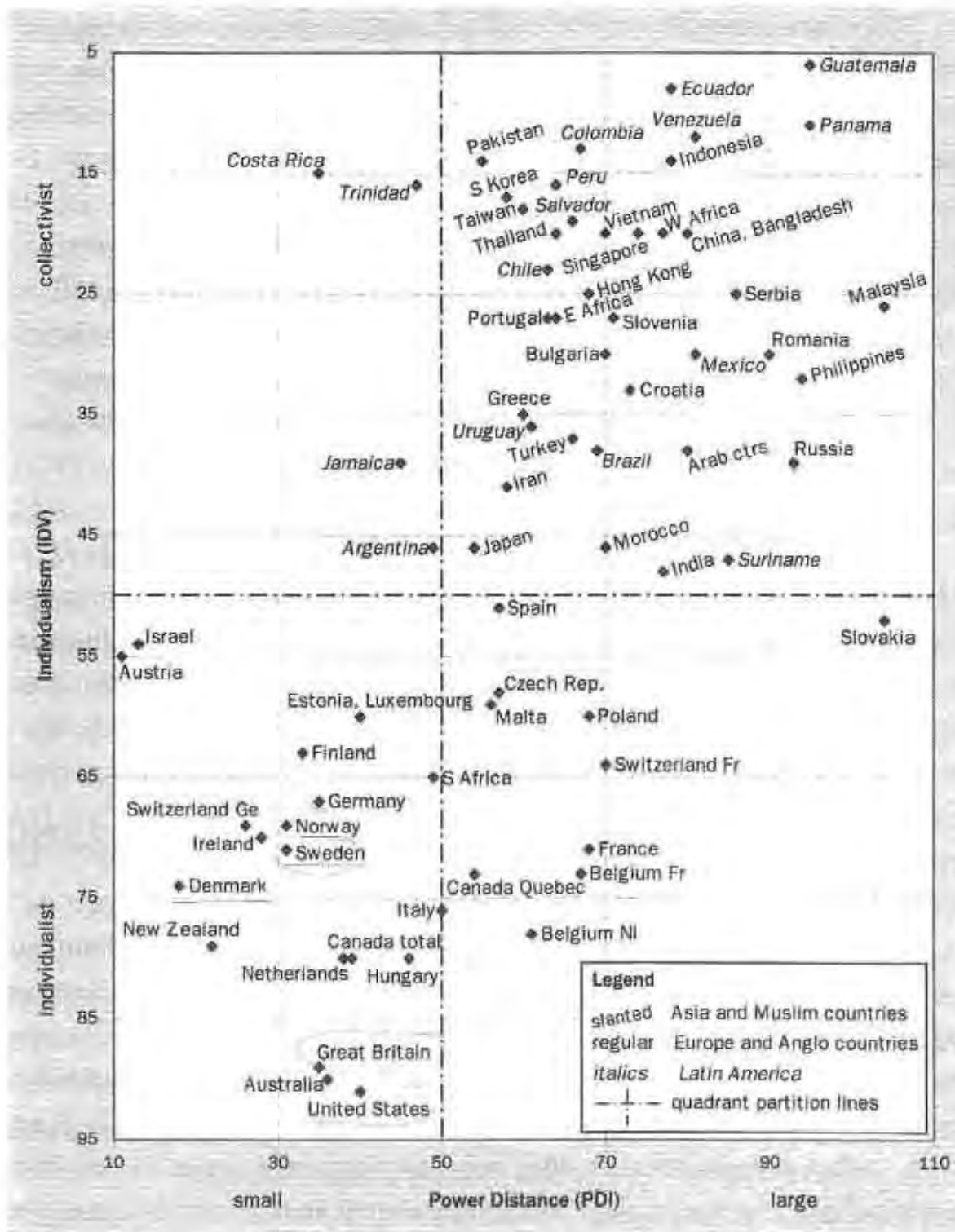
– Hofstede & Hofstede (2005:187)

### 7.2.3 Masculinity versus Individualism



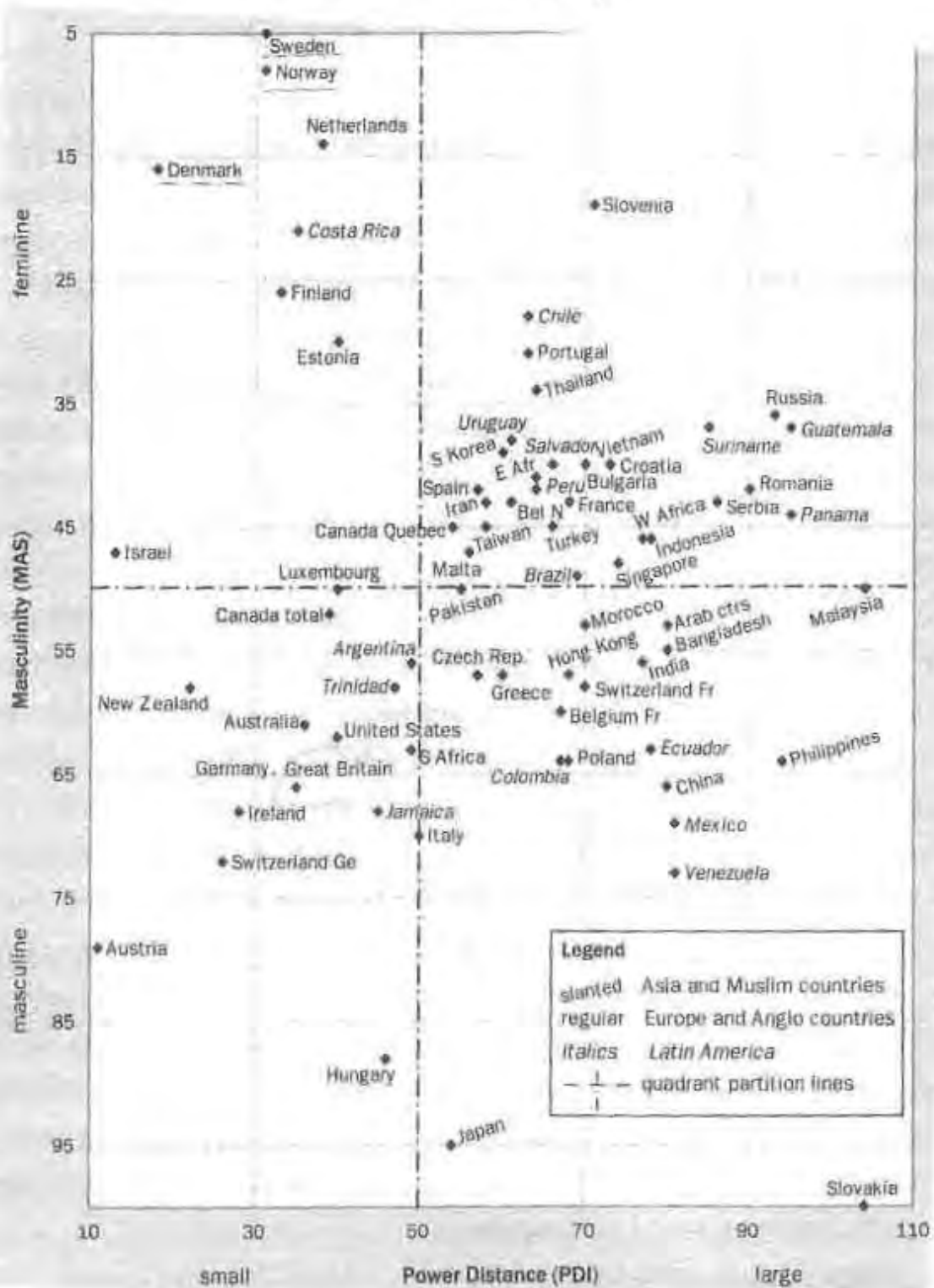
Hofstede & Hofstede (2005:124)

## 7.2.4 Power Distance versus Individualism



- Hofstede & Hofstede(2005:83)

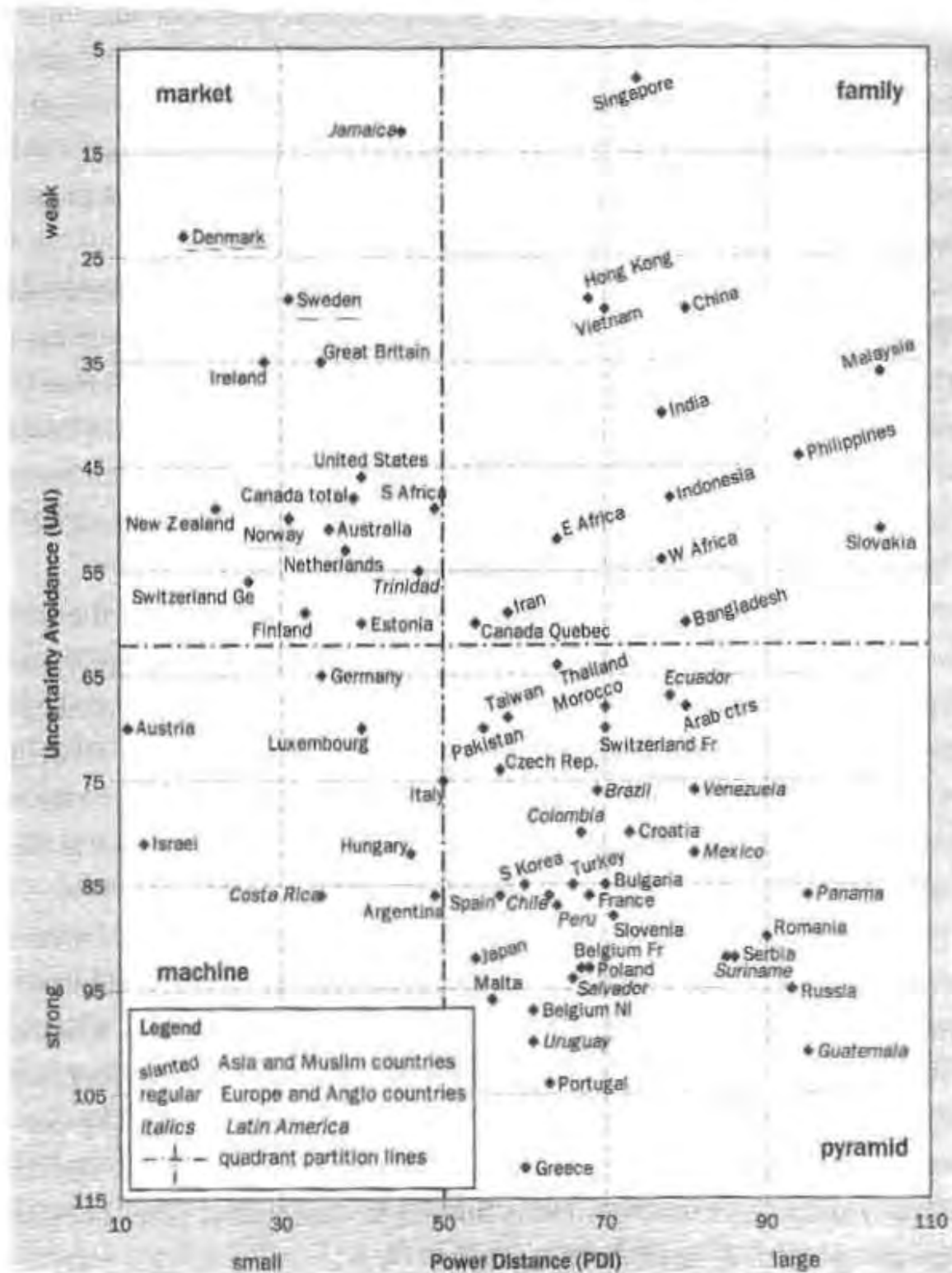
## 7.2.5 Power Distance versus Masculinity



- Hofstede & Hofstede (2005:129)



## 7.2.6 Power Distance versus Uncertainty Avoidance



- Hofstede & Hofstede (2005:243)

## 7.3 Membership lists and nationalities

### 7.3.1 Country Codes

Country	CC	Country	CC	Country	CC	Country	CC
Afghanistan	AF	El Salvador	SV	Malaysia	MY	Sweden	SE
Albania	AL	Equatorial Guinea	GQ	Maldives	MV	Switzerland	CH
Algeria	DZ	Eritrea	ER	Mali	ML	Syrian Arab Republic	SY
Angola	AO	Estonia	EE	Malta	MT	Taiwan, China	TW
Argentina	AR	Ethiopia	ET	Mauritania	MR	Tajikistan	TJ
Armenia	AM	Fiji	FJ	Mauritius	MU	Tanzania	TZ
Australia	AU	Finland	FI	Mexico	MX	Thailand	TH
Austria	AT	France	FR	Moldova	MD	Timor-Leste	TL
Azerbaijan	AZ	Gabon	GA	Mongolia	MN	Togo	TG
Bahamas, The	BS	Gambia, The	GM	Montenegro	ME	Trinidad and Tobago	TT
Bahrain	BH	Georgia	GE	Morocco	MA	Tunisia	TN
Bangladesh	BD	Germany	DE	Mozambique	MZ	Turkey	TR
Barbados	BB	Ghana	GH	Myanmar	MM	Turkmenistan	TM
Belarus	BY	Greece	GR	Namibia	NA	Uganda	UG
Belgium	BE	Guatemala	GT	Nepal	NP	Ukraine	UA
Belize	BZ	Guinea	GN	Netherlands	NL	United Arab Emirates	AE
Benin	BJ	Guinea-Bissau	GW	New Zealand	NZ	United Kingdom	UK
Bhutan	BT	Guyana	GY	Nicaragua	NI	United States	US
Bolivia	BO	Haiti	HT	Niger	NE	Uruguay	UY
Bosnia and Herzegovina	BA	Honduras	HN	Nigeria	NG	Uzbekistan	UZ
Botswana	BW	Hungary	HU	Norway	NO	Venezuela, RB	VE
Brazil	BR	Iceland	IS	Oman	OM	Vietnam	VN
Brunei Darussalam	BN	India	IN	Pakistan	PK	Yemen, Rep.	YE
Bulgaria	BG	Indonesia	ID	Panama	PA	Zambia	ZM
Burkina Faso	BF	Iran, Islamic Rep.	IR	Papua New Guinea	PG	Zimbabwe	ZW
Burundi	BI	Iraq	IQ	Paraguay	PY		
Cambodia	KH	Ireland	IE	Peru	PE		
Cameroon	CM	Israel	IL	Philippines	PH		
Canada	CA	Italy	IT	Poland	PL		
Cape Verde	CV	Jamaica	JM	Portugal	PT		
Central African Republic	CF	Japan	JP	Qatar	QA		
Chad	TD	Jordan	JO	Romania	RO		
Chile	CL	Kazakhstan	KZ	Russian Federation	RU		
China	CN	Kenya	KE	Rwanda	RW		
Colombia	CO	Korea, Dem. Rep.	KP	Saudi Arabia	SA		
Comoros	KM	Korea, Rep.	KR	Senegal	SN		
Congo, Dem. Rep.	CD	Kuwait	KW	Serbia	RS		
Congo, Rep.	CG	Kyrgyz Republic	KG	Sierra Leone	SL		
Costa Rica	CR	Lao PDR	LA	Singapore	SG		
Cote d'Ivoire	CI	Latvia	LV	Slovak Republic	SK		
Croatia	HR	Lebanon	LB	Slovenia	SI		
Cuba	CU	Lesotho	LS	Solomon Islands	SB		
Cyprus	CY	Liberia	LR	Somalia	SO		
Czech Republic	CZ	Libya	LY	South Africa	ZA		
Denmark	DK	Lithuania	LT	Spain	ES		
Djibouti	DJ	Luxembourg	LU	Sri Lanka	LK		
Dominican Republic	DO	Macedonia, FYR	MK	Sudan	SD		
Ecuador	EC	Madagascar	MG	Suriname	SR		
Egypt, Arab Rep.	EG	Malawi	MW	Swaziland	SZ		

Source: [http://www.theodora.com/country\\_digraphs.html](http://www.theodora.com/country_digraphs.html)

### 7.3.2 Compiled membership lists

Company	Country	Company	Country	Company	Country	Company	Country
ABB	SE/CH	Di Michael Sonntag	DE	Park Nicollet Health Services	US	UBS AG	CH
Acerware	E	EBRD	UK	Parker Hannifin	US	Unilever	UK
ACCO Europe	UK	eCapital Advisors, LLC	US	Perficient Group	UK	United Engineering Forgings	UK
Advalitt	US	Elan	SE	Port of Tyne Authority	UK	US Analytics	US
Acom Systems	UK	Embraer	US	PP Electric Utilities	US	Valcula Oy	FI
Adaptive Planning	US	eNites	SE	PRGX	US	Valmet Corporation	FI
Aktell	SE	Ernst & Young	UK	Priority Health	UK	Venngro	US
Alcan Packaging	US	Elexion Corporation	US	proDacaps	SE	VNA Inc.	UK
ALG Software/Business Objects	US	Forestry Commission	UK	Promega Corporation	US	Wachovia Corporation	US
Align Financial Planning	US	gruppoIT	IT	Puger Sound Energy	US	Welsh Assembly Government	UK
Alstom	FR	halifax	UK	Resorts World Bhd	MY	West Bromwich Building Society	UK
American Century Investments	US	Hamilton Suddards	UK	River Logic	UK	Wright Williams & Kelly	US
American Express	US	scb	US	Royal Mail	UK	Quor	IR
Ardersen	US	RNI Group	US	Rugby Group	UK		
Anheuser-Busch	US	Housing Associations	UK	Sainsbury's Supermarkets	UK		
Applied Analytics	US	HF Baker	UK	SAS Performance Management	US		
Applix	US	Humana Healthcare System	US	Schneider Electric	FR		
Archstone Consulting	US	Hypofon	US	Schwan Food Co	US		
Ascom	CH	IBM Business Consulting Services	US	Scottish Enterprise	UK		
Barrays Bank	UK	IBM Cognos	US	Seattle Children's Hospital	US		
Bayport	US	IES	US	Siemens	DE		
BDO Vista	CH	IFAC	IT	Signtowers International	UK		
BS Tjanitor	UK	IFEM Consulting	FR	SIF	SE		
Boots The Chemists	UK	Ingenell Rand	E	Softlab Group	DE		
British Council	UK	Intobray UK	UK	Soliver	US		
BT Group	UK	International Finance Cooperation	US	South East England Development Agency	UK		
Burmah Castrol	UK	Intal	CH	Soulton	US		
Cadbury Schweppes	UK	Japer Tobacco	JP	SpareBank 1 Gruppen	NO		
Canadian Imperial Bank of Commerce	CA	Johnsonville Sausage LLC	US	Standard Life	UK		
Carlislehm Photovoltaics	DK	Kalor Permanente	US	Statil	NO		
Charles Schwab & Co	US	Kansas City Southern	US	Stratane	US		
Chesapeake Corporation	US	Kingfisher	UK	Styker Industries	US		
CIMA	UK	KPMG Consulting Consulting	NL	Sun Healthcare Group	US		
CIQI Construction Skills	UK	Lucy Packard Children's Hospital	US	Svenska Handelsbanken	SE		
Clariant International	CH	MarketSphere Consulting	US	Target Corporation	US		
Clint Systems	US	Mart Confectionery	US	Telecom New Zealand	NZ		
Cooplat	DK	MasterCard International	US	Telekom Malaysia	MY		
Cook Children's Health Care System	US	Mauger	US	Telenor	NO		
Coors Brewery (UK)	UK	MD Anderson Cancer Center	US	Texas Instruments	US		
Corvus plc	UK	Monop	UK	Thames Water	UK		
CSHQ Livestock Industries	AU	Millipore Corporation	US	The Carle Foundation	US		
Cytec Industries, Inc.	US	Mutual First Federal Credit Union	US	The Palladium Group	US		
Danfoss	DK	National Power	UK	The Player Group	US		
De Beers	ZA	Navigator Consulting	US	The World Bank	US		
Deutsche Bank	DE	Navigator Systems	UK	ThinkFast Consulting	US		
DPW International Airport	US	Novartis	CH	Thomson	US		
DHL	DE	Ongeo LLC	US	Time Warner Telecom	US		
Diageo	UK	Orla	NO	T-Online International	DE		
Discover Financial Services	US	Oxley NHS Foundation Trust	UK	TPG	US		

Source: BBRT (2010a), BBRINA (2010b), BBRTDACH (2010c)

### 7.3.3 Current members (Global/BBRT)

Company	Country	Company	Country
ABB	CH	Handelsbanken	SE
AC Nielsen	US	HNI Industries	US
Accenture	IE	Hunterdon Healthcare	US
ACCO Europe	UK	IBM Cognos	US
Acorn Systems	UK	IES	US
Adaptive Planning	US	IFAD	IT
Ahlsell	SE	IFC	US
Alcan Packaging	US	Ingersoll Rand	FI
ALG Software/Business Objects	US	itartis	CH
Allight Financial Planning	US	Japan Tobacco	JP
Alstom	FR	Kaiser Permanente	US
American Century Investments	US	Kansas City Southern	US
American Express	US	Lucille Packard Children's Hospital	US
Andersen	US	MD Anderson Cancer Center	US
Anheuser-Busch	US	MarketSphere Consulting	US
Applied-Analytix	US	MasterCard International	US
Applix	US	Millipore Corp	US
Archstone Consulting	US	Mutual First Federal Credit Union	US
Ascom	CH	Orkla	NO
Barclay Bank	UK	Oxleas NHS Foundation Trust	UK
Baycare	US	Palladium Group	US
BDO Visura	CH	Park Nicollet Health Services	US
BG Transco	US	PPL Electric Utilities	US
Boots	UK	Priority Health	US
British Council	UK	Promega Corp	US
BT Group	UK	Puget Sound Energy	US
Burmah Castrol	UK	Resorts World Bhd	MY
Cadbury Schweppes	UK	River Logic	US
Carle Foundation	US	Schwan Food Co	US
Centrotherm Photovoltaics	DE	Seattle Children's Hospital	US
Charles Schwab	US	Solver	US
Chesapeake	UK	SpareBank 1 Gruppen	NO
CIBC	CA	Statoll	NO
CIMA	UK	Stryker Instruments	US
CITB Construction Skills	UK	Sun Healthcare Group	US
Clarity Systems	US	Telekom Malaysia	MY
Cognos	US	Telenor	NO
Coloplast	DK	The Player Group	US
ConstructionSkills	UK	The World Bank	US
Cook Childrens Health Care System	US	Thomson	US
Cytec Industries	US	Time Warner Telecom	US
Danfoss	DK	T-Online	DE
DFW International Airport	US	Unilever	UK
Discover Financial Services	US	VHA Inc.	US
Dr Michael Sonntag	DE	Wachovia	US
eCapital Advisors	US	Össur	IS
Ekan	SE		
Embarq	US		
Exelon Corp	US		

Source: BBRT (2011a)

### 7.3.4 Worldwide precense of current members (Global/BBRT)

Count	CC	Count	CC	Count	CC	Count	CC
2	AF	4	SV	12	MY	16	SE
4	AL	1	GQ	1	MV	15	CH
4	DZ	1	ER	1	ML	2	SY
4	AO	9	FE	1	MT	3	TW
10	AR	3	ET	1	MR	3	TJ
3	AM	0	FJ	2	MU	5	TZ
15	AU	9	FI	14	MX	11	TH
15	AT	17	FR	3	MD	2	TL
5	AZ	1	GA	2	MN	1	TG
2	BS	1	GM	4	ME	3	TT
4	BH	5	GE	5	MA	4	TN
6	BD	17	DE	5	MZ	12	TR
1	BB	3	GH	0	MM	3	TM
5	BY	7	GR	1	NA	4	UG
14	BE	5	GT	3	NP	8	UA
1	BZ	1	GN	16	NL	12	AE
1	BJ	1	GW	7	NZ	23	UK
1	BT	2	GY	5	NI	11	US
5	BO	4	HT	6	NE	6	UY
3	BA	5	HN	0	NG	3	UZ
0	BW	13	HU	10	NO	8	VE
15	BR	3	IS	4	OM	8	VN
0	BN	18	IN	5	PK	4	YE
7	BG	10	ID	7	PA	4	ZM
2	BF	4	IR	2	PG	4	ZW
2	BI	4	IQ	5	PY		
4	KH	2	IE	8	PE		
2	CM	3	IL	9	PH		
16	CA	13	IT	15	PL		
1	CV	3	JM	9	PT		
2	CF	11	JP	3	QA		
1	TD	5	JO	8	RO		
9	CL	6	KZ	18	RU		
23	CN	4	KE	4	RW		
8	CO	1	KP	4	SA		
1	KM	14	KR	3	SN		
1	CD	5	KW	8	RS		
1	CG	2	KG	2	SL		
3	CR	2	LA	5	SG		
2	CI	8	LV	9	SK		
7	HR	5	LB	6	SI		
2	CU	1	LS	0	SB		
3	CY	2	LR	1	SO		
13	CZ	3	LY	11	ZA		
15	DK	8	LT	13	ES		
0	DJ	3	LU	5	LK		
3	DO	3	MK	3	SD		
4	EC	3	MG	1	SR		
8	EG	4	MW	1	SZ		

Source: Company web pages

