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Contradictory Formalisations in a Management Control System

A case study on how different degrees and types of formalisations in a Management Control System are interpreted by the employees.

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Master thesis in Business Analysis and Performance Management (BUS)

NORWEGIAN SCHOOL OF ECONOMICS

Abstract

The formalisations that exist in an organisation are thought to have a substantial influence on how employees interpret the organisation's Management Control System (MCS) (Malmi & Brown, 2008). Previously, researchers claimed that an increase in formalisation would have a negative attitudinal effect on employees, while a decrease induces an autonomous and positive view of the MCS (Burns & Stalker, 1969). Adler & Borys (1996) broke with this notion and argued that it is not the degree of formalisation that determines employee interpretation, but rather the distinctive features of the way rules and procedures are designed and implemented. The purpose of this study is to explore how the introduction of two contradictory formalisations influences the users' interpretation of the MCS in an organisation.

This thesis conducts a case study of Statoil who have recently introduced two contradictory degrees of formalisations to their MCS. One is a decrease where the aim has been to give employees more freedom to decide what rules and regulations should be defining for them. The other represents an increase through the introduction of a detailed procedure for risk management. By applying a qualitative research methodology, we study how employees have interpreted corporate's intentions behind the two formalisations. Further, we compare how this has influenced their experience of the MCS in the different cases.

Overall, our conclusions support the argument made by Adler & Borys (1996) through revealing that how the increased and decreased formalisations in Statoil have been interpreted has been a consequence of their inherent features. We find that corporate have designed and implemented enabling formalisations that have had a positive attitudinal influence on the users. Further, our study suggests that generating an understanding of the underlying rationales behind the formalisations is of particular importance in this process. Finally, we also find that the contradictory degrees of formalisation have induced different interpretations of support roles in the MCS. Where they are regarded as an interference to decision-making latitude in the case of decreased formalisations, support roles are viewed as a positive feature in the case of the opposite.

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We would like to thank Statoil for extremely good cooperation. By giving us extensive access to the organisation we have been able to gain an in-depth insight into how different formalisations are interpreted by their employees. A special thanks to Olav Vanvik and Nika Hakak Khadem who facilitated much of the cooperation.

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Contents

1. Introduction

This chapter elaborates on the background of our study, and its relevance for our case company Statoil AS before revealing its theoretical contribution. Further, we discuss our research question before presenting the thesis is organised.

1.1 Report Background

Deci and Ryan (1987) point to several studies that argue that factors such as rewards, threats and deadlines, evaluation and surveillance and the encouragement of choice by one's surroundings, all have a substantial effect on a person's sense of operating in an autonomous or a controlling environment. Formalisation encompasses the extent to which written rules, procedures and instructions are present and are therefore thought to have substantial attitudinal effects on its employees (Adler & Borys, 1996).

Management Control Systems (MCS) incorporate the systems, rules, values and practices an organisation initiates to direct employee behaviour (Malmi & Brown, 2008). In other words, there is a link between the formalisations in place and the interpretation of the MCS.

Traditionally, an increase in the degree of written rules and standardisation of procedures implies control within the organisation and a negative employee interpretation of the MCS (Burns & Stalker, 1969). Conversely, a decrease is thought to result in more autonomy amongst employees and a positive interpretation of the MCS. Burns & Stalker refer to this respectively as mechanistic and organic control. However, Adler & Borys (1996) broke with this dichotomous notion by arguing that it is not the degree of formalisation as such that influences how employees interpret the MCS, but the distinctive features of how rules and procedures are designed and implemented. Where enabling formalisation is structured and presented in a way that empowers employees to deal with both predictable and unpredictable contingencies in their work, coercive formalisation emphasises control and strict procedures.

From our elaboration, we understand that the way an organisation designs and implements the formalisation of rules, procedures and instructions will influence how the MCS is interpreted and thus have an attitudinal impact on its members (Adler & Borys, 1996).

1.2 Relevance

To reiterate, previously, researchers distinguished between two polar extremities in management systems (Burns & Stalker, 1969). On the one hand, managers could opt for a mechanistic and control based version where formal rules, standardised operational procedures and routines were in focus. The counterpart was an organic approach, with less focus on set structures and more attention devoted to fluidity and autonomy.

Adler and Borys (1996) broke with the notion that the choice of management system should be based on the degree of formal rules and structures that exist. Instead, they argue that organisations can introduce MCS's that imply both a mechanistic and organic approach. The fundamental question should not be how many rules and formal procedures that are in place, but their design. Adler and Borys argue that managers will meet positive reactions from their employees providing they introduce an enabling rather than a coercive design to formalisations in the MCS. Applying enabling structures also opens for variations in the degree of formalisations across the organisation.

Adler and Borys (1996) have a highly theoretical approach to their analysis. Ahrens and Chapman (2004) attempted to apply the concepts of enabling and coercive formalisation in a more practical setting through a study of MCSs in a restaurant division. Although their research helps to develop a more complex understanding of the framework, it also calls for further field studies to achieve a greater appreciation of the concepts. In particular, they highlight that aspects of enabling formalisation appear coercive when applied in a more real-life setting. By this, they imply that there is a need for further studies on how MCSs can formulate rules in an enabling manner.

Wouters and Wilderom (2008) have also applied the concepts of enabling and coercive in a more practical setting. Their study of the development of performance management systems (PMS) in a logistics department helps to increase the understanding of how a PMS can take the shape of enabling formalisation. However, Wouters and Wilderom (2008) also call for further studies on how organisations can implement different degrees of formalisation at the same time. Further research around this would increase the understanding of how MCSs simultaneously can support the objectives of efficiency and flexibility.

Previous research has acknowledged the usefulness of Adler and Borys'(1996) formalisation framework (Ahrens & Chapman, 2004; Wouters & Wilderom, 2008). Our research builds on this theoretical concept, and at the same time tends to some of the concerns voiced through preceding studies. First of all, we aim to increase the understanding of what determines whether an MCS is perceived to constitute enabling or coercive formalisation. Secondly, our study expands on the notion that companies can vary the degree of formalisation within different parts of the organisation. In other words, one should not be surprised to find contradictory formalisations in one and the same company.

Our empirical setting is that of the Norwegian multinational corporation (MNC), Statoil, that has recently introduced what may be regarded as two contradictory formalisations to their MCS. The contradiction lies in that the one formalisation – MS Roadmap – is designed to reduce the degree of formalisation. The other formalisation – RM 100 – is a new process for risk management containing detailed rules for how to deal with risk and therefore represents an increase in the degree of formalisation. In this thesis, we have a particular focus on how the same employees react to two contradictory formalisations.

1.3 Research question

We ask the following main research question:

> *How does the introduction of two contradictory formalisations influence the users' interpretation of the Management Control System in an organisation?*

In order to answer this question, we ask two more sub-questions:

1. *What influence does decreased formalisation have on how the users interpret the Management Control System?*

2. *What influence does increased formalisation have on how the users interpret the Management Control System?*

This study makes two main contributions to literature. First of all, we have conducted a case study of an MNC which has recently made substantial and contradictory changes to its MCS. Secondly, we contribute to a further application of Adler & Borys'(1996) framework in line with requests from previous researchers. (Ahrens & Chapman, 2004; Wouters & Wilderom, 2008).

1.4 Organisation of the paper

The remainder of this thesis is organised into seven different chapters. Chapter Two introduces our theoretical foundation while Chapter Three explains the methodology we have applied in this thesis as well as discussing the reliability and validity of the study. Chapter Four establishes the background of our case-study organisation Statoil. Chapter Five reveals, through in-depth interviews, how Statoil has designed these two different degrees of formalisation, how it has carried out the implementation of the two and how the users of the MCS interpreted these efforts. Chapter Six analyses and discusses the findings in light of our theoretical perspective from chapter two. Finally, Chapter Seven contributes concluding remarks, summarises the study's main findings and makes suggestions for future research.

2. Theory

The purpose of this chapter is to elaborate on the theoretical perspectives that form the basis for our analysis. Firstly, we introduce the concept of Management Control Systems, followed by a presentation of the framework we will apply when analysing formalisation in an organisation. Lastly, we summarise our theoretical perspective in a conceptual model which will be applied when approaching our underlying research question.

2.1 Management Control Systems

To answer our research question regarding how the introduction of two contradictory formalisations in the Management Control System (MCS) are interpreted and used in an organisation, we find it useful to define the relationship between MCSs and formalisation. Therefore, we will firstly aim to gain a clearer understanding of what an MCS consists of, before outlining how and where the concept of formalisation is introduced. Defining the relationship will give us a useful picture as to what extent they are interdependent.

Management Control System - Definition

There exist several different definitions of MCSs, some overlapping and some unique (Chenhall, 2003; Flamholtz, Das, & Tsui, 1985; Malmi & Brown, 2008; Merchant & Van der Stede, 2007)**.** The variation in definitions creates confusion in regards to interpreting research results and the design of MCSs (Malmi & Brown, 2008). It is, therefore, useful to study some of the different, extant definitions at hand before indicating the one that we will apply in our thesis.

Some definitions encompass quite a broad description of the MCS. An example of this is Chenhall (2003) who refers to Management Accounting (MA) systems as

"A collection of practices such as budgeting or product costing," Management Accounting Systems (MAS) as *"the systematic use of MA to achieve some goal,"* and then finally MCS as "*a broader term that encompasses MAS and also includes other controls such as personal or clan controls,"* (Chenhall, 2003, p.129). According to this definition, MCS are to be understood as any form of governing control within the organisation.

Merchant and Van Der Stede (2007) represent a narrower view on the role of an MCS: *"Management controls are necessary to guard against the possibilities that people will do something the organisation does not want them to do or fail to do something they should do,"* (Merchant & Van der Stede, 2007, p.8). In others words, they perceive the MCS more as the company's enforcer rather than a fully scaled system as described by Chenhall (2003).

Another interpretation of the role of the MCS is that of Flamholtz et. al (1985). They regard it to be "*techniques and processes to achieve goal congruence which may be designed for all levels of behavioural influence: individuals, small groups, formal subunits and the organisational as a whole"* (Flamholtz et al., 1985, p.36). This definition reflects upon the fact that employees at different levels may have other personal goals than that of the organisation as a whole. The MCS can in these cases act as assembling entity ensuring necessary goal congruence.

Malmi and Brown (2008) argue that MCSs must be studied as a package phenomenon as opposed to several single components. They define MCSs as:

"Those systems, rules, practices, values and other activities management put in place in order to direct employee behaviour should be called management controls. If these are complete systems, as opposed to a simple rule, then they should be called management control systems" (Malmi & Brown, 2008, p.290).

On the surface, this definition includes similar features to those of the three previously discussed in the chapter (Chenhall, 2003; Flamholtz et al., 1985; Merchant & Van der Stede, 2007). Further, similar to Chenhall (2003), it has quite a broad focus, including a wide range of organisational features. However, Malmi and Brown (2008) underline that the definition excludes pure decision-support systems, meaning systems within an organisation that are there to provide information to support decision-making. This excludes certain accounting systems that are designed solely for that purpose.

Further, Malmi and Brown (2008) underline that the focus is on all the devices and systems managers use to ensure that the behaviours and decisions of employees are in line with the organisation's objectives and strategies. In other words, it includes a similar emphasis on behavioural control as Merchant and Van der Stede's (2007) definition as well as the attention to goal congruence advocated by Flamholtz et. al (1985).

However, where Malmi and Brown's (2008) definition fundamentally distinguishes itself from the others discussed so far, is through its focus on studying MCS as a package. Their definition implies that different elements in the MCS should not be regard as isolated from one another. This view is supported by Chenhall (2003) who proclaims that although many researchers consider MCS as a series of unique themes and practices that are independent of each other and their surroundings, they invariably sit within a broader control system. Fisher (1998) goes as far as stating that not acknowledging MCSs as a package means disregarding the links that exist between its different features. This will lead to erroneous conclusions when studying how MCS components relate to contingent variables.

This thesis will apply Malmi and Brown's (2008) definition of an MCS. By doing so, we appreciate the need for a broad definition which focuses on behavioural control, goal congruence and that acknowledges the need for studying MCS as a package. In relation to our previous discussion around formalisation, the definition implies that the balance between control and autonomy is influenced directly by the MCS in place.

Describing the Management Control System Package

With this definition in mind, Malmi and Brown (2008) go a step further by providing us with a conceptual typology of what an MCS consists of. To gain a deeper understanding of how the MCS influences formalisation, we will now introduce the different aspects of the typology. Malmi and Brown (2008) describe five types of control through their framework.

Planning control

Flamholtz et. al. (1985) refer to this as an ex-ante form of control. Firstly, it controls behaviour and directs effort amongst the active parts of the organisation (Malmi & Brown, 2008). Secondly, planning control sets the necessary standards required to achieve the goal. Finally, it stimulates goal congruence by having aligned goals across the organisation. One distinguishes between plans for the immediate future that have a tactical intention and long-term plans which have a more strategic focus.

Cybernetic controls

Malmi and Brown (2008) turn to the following definition by Green and Welsh's (Green & Welsh, 1988) when elaborating on cybernetic control: *"A process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the system, and modifying the system's comportment"* (Green & Welsh, 1988, p.289). The typology includes four basic forms of cybernetic control: Budgets, Financial Measurement Systems, Non-Financial Measurement Systems and hybrids of Financial and Non-Finacial measurement systems such as the balanced scorecard (Malmi & Brown, 2008).

Reward and compensation controls

Through attaching rewards and compensation to the performance of the individual employee or group, the MCS control effort direction, duration and intensity (Malmi & Brown, 2008).

Administrative controls

Administrative controls direct employee behaviour through the organisation of individuals or groups, the monitoring of employee behaviour and who they are made accountable to and through specifying how tasks and actions are to be performed, or not performed (Malmi & Brown, 2008). The typology includes the following three groups of administrative controls: Governance Structure, Organisation Structure and Policies and Procedures.

Cultural Controls

Malmi and Brown (2008) draw on research on organisational culture when defining cultural controls. They grant that culture exists as a context for the organisation and often beyond managerial control. However, it can also be used as a form of control when consciously used to dictate employee behaviour. Flamholtz et. al. (1985) define it as: "*the set of values, beliefs and social norms which tend to be shared by its members and, in turn, influence their thoughts and actions"* (Flamholtz et al., 1985, p.158). The typology refers to the culture controls: clan controls, value-based controls and symbol-based controls (Malmi & Brown, 2008).

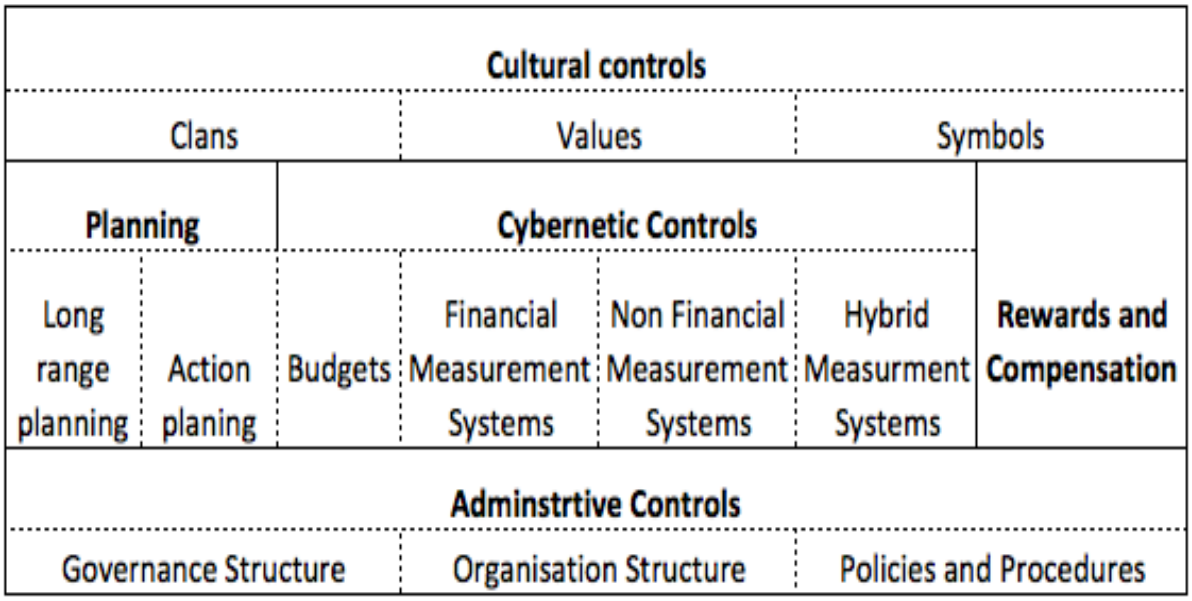

Figure 1: Management Control System Package overview (Malmi and Brown, 2008)

Figure 1 provides a useful overview of the MCS packages, as well as the different links that exist within. Cultural controls are at the top of the figure to indicate their position as broad, yet subtle controls (Malmi & Brown, 2008). They are also thought to be slow in change, providing a contextual frame for the other controls in the package. Planning, Cybernetic and Reward and Compensation controls are perceived as tightly linked in many organisations and are therefore placed in the middle in a temporal order. Administrative controls reserve their place at the bottom as the factor which provides the structure of which the three components above operate within.

Focusing on Administrative Controls

Our chosen definition of the MCS concept is, as previously emphasised, of an extensive nature. On the one hand, this means that it covers a broad scope of organisational features and is therefore of substantial explanatory value. However, as a consequence, a wide definition as such risks losing depth in regards to the different controls that exist in the MCS. When we later engage in an empirical study of Statoil ASA our focus will be on formalisation in the organisation's Administrative Controls. More specifically, the implementation of the new process for risk management focuses on the Policies and Procedures part of the MCS while the introduced structural change applies to an adjustment made to the Governance Structure

as well as to Policies and Procedures. Clarifying which parts of Statoil ASA's MCS we will be analysing allows as to conduct a more in-depth study of the underlying alterations that have been conducted.

The relationship between formalisation and the Management Control System

The purpose of this elaboration on MCS was to establish a clearer understanding of the relationship between MCSs and formalisation. Malmi and Brown's (2008) definition implies that balancing control and autonomy is a central feature in the MCS. Furthermore, their typology displays formalisation's fundamental role throughout the MCS package. Whether it is contextual through cultural controls, on an operational level through planning, cybernetic and reward and compensation controls or on a structural basis through administrative controls, the type and degree of formalisation is consistently an important and deciding factor for how the MCS is interpreted by employees.

2.2 Formalisation

Now that we have established the importance of formalisation in the MCS, we continue with elaborating on the theoretical framework that we will apply when studying formalisation in an organisation. The foundations of our theory will rest on the framework presented by Adler & Borys in their article from 1996; *Two Types of Bureaucracy: Enabling and coercive*. In this paper, they propose "a conceptualisation of workflow formalisation that helps reconcile the contrasting assessments of bureaucracy as alienating to employees or as enabling them to perform their tasks better" (Adler & Borys, 1996, p.61). This framework overcomes the conventional assumption that formalisation is a necessary evil and must be reduced to achieve high motivation. Further, it allows for a more balanced view compared to the standard dichotomous view of enabling vs. coercive.

According to Adler & Borys (1996), there exist two types of formalisation; enabling and coercive. Coercive formalisation generates a negative attitude from employees by seeking to force compliance. Further, it entails a deskilling approach where users are solely expected to follow present rules and instructions to the point. In contrast, enabling formalisation facilitates a positive attitude and leads to the employees feeling motivated by the rules and systems in

place. In this case, there exists a usability approach whereby users are encouraged to combine the rules and instructions with their own capabilities when conducting a procedure.

Four generic features

Adler & Borys (1996) point towards four generic features that distinguish deskilling from usability approaches: repair, internal transparency, global transparency and flexibility. They argue that the design of formalisations in relation to these four features will ultimately determine whether the users interpret it as enabling or coercive.

Repair

The first feature is *repair*. According to Adler & Borys (1996), some systems are designed so that the employees can act and repair when contingencies occur, while others are designed so that the "inner workings" are hidden and impossible for them to repair without asking for help from their superiors. In systems like these, those who repair the system are separated from those who use the system. A coercive procedure system is created with the intent to highlight to superiors whenever there is a deviation from standard procedure. From the employees' point of view, such an arrangement is experienced as a way for management to cover their backs.

An enabling design allows the employee to respond to real-life contingencies. Adler & Borys (1996) argue that a characteristic of enabling designs is *"the ease of which users, i.e., employees, can repair the process themselves rather than allowing the breakdown to force the work process to a halt"* (Adler & Borys, 1996, p.70). In the case of a control system, this can mean, for example, that managers have the permission and ability to modify the definition and measurement of performance indicators if this is seen as more fitting (Wouters & Wilderom, 2008).

Internal Transparency

The second generic feature, *internal transparency*, refers to the employees' knowledge of the logic of the system as well as the status (Adler & Borys, 1996). A deskilling approach does not give the employee insight into the system until there is a malfunction, thus it has a significant emphasis on sanctions and punishments in case of deviations rather than helping and guiding the employees.

An enabling design, on the other hand, gives the users an insight into the system as well as guiding them by communicating best practice. Ahrens & Chapman (2004) argue that target values should be communicated to managers if the system is to be transparent. Best-practice is also used to offer the user feedback on their performance against historical standards. Adler & Borys (1996) argue that this can lead to positive competition amongst users as they would want to develop the new "best-practice" in use.

Global Transparency

Global Transparency refers to how well the employee knows the context and organisational strategy. In coercive systems, this is viewed as a risk. An example is organisations where you only get to see your own budget, while budgets for other departments remain secret (Ahrens & Chapman, 2004). An enabling design, on the other hand, shares information about other departments key goals or other useful information recognising that this can be helpful to the employees.

Flexibility

Flexibility refers to the degree to which the employees can deviate from steps in procedures or make changes without the need to contact a supervisor for approval (Adler & Borys, 1996). Typically, a coercive design explains the steps of a procedure in a detailed manner, allowing no deviations unless it is authorised by a supervisor. Enabling procedures, on the other hand, incorporate deviations as possibilities to learn and improve. The view is that deviating from the standard procedure and skipping mandatory steps can be safe in certain situations. Thus, the system in place should have procedures and guidelines facilitating skipping when needed.

Breaking with the conventional assumption

In their article, Adler & Borys (1996) break with the conventional assumption first presented by Burns & Stalker (1969) where formalisation is regarded as inherently negative and thus must be reduced to achieve high motivation. Instead, they claim that how employees interpret a formalisation depends on whether the rules and systems in place are designed to be enabling or coercive in regards to the four generic features. Hence, Adler & Borys (1996) argue that it is not the degree of formalisation that decides whether it will be well-received or not, but the way it is designed and implemented. This implies that both a high and low degree of

formalisation can potentially generate positive or negative attitudes from employees, depending on the type of formalisation.

The two-dimensional framework

Building on the four generic features and their impact on how formalisation is interpreted, Adler & Borys (1996) have developed a two-dimensional framework *"...as a way to theorise the difference between good and bad procedures as experienced by employees"* (Adler & Borys, 1996, p.77):

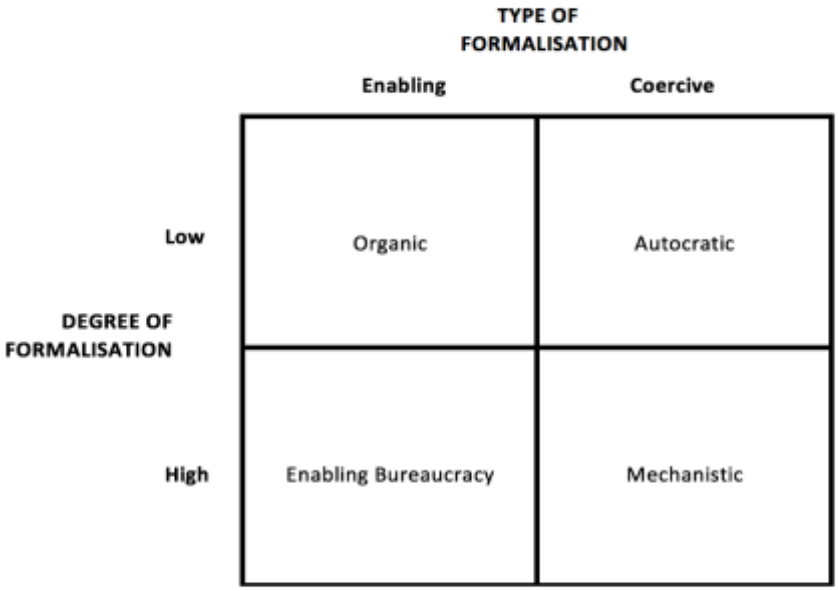

Figure 2: Adler & Borys' two-dimensional framework (Adler & Borys, 1996, page 78)

The framework's first dimension concerns the degree of formalisation that the procedure represents, while the second describes whether it is designed as enabling or coercive in relation to the four generic features. Depending on how the formalisation is located in terms of the two dimensions, Adler & Borys (1996) argue that employees will interpret the organisation as either: Organic, Enabling Bureaucracy, Autocratic or Mechanistic. The first two will be well-received by employees while the last two will promote a negative attitude.

Through the two-dimensional framework, Adler & Borys (1996) also open for the possibility of organisations operating with a mix of routine and nonroutine tasks. Previously, such situations have been thought to create an organisational design dilemma. It has been assumed that it is highly problematic to have routine process that are mechanistic and/or coercive, and to expose the same employees to nonroutine processes that are managed in an organic and empowering way. Adler & Borys (1996) argue that even organisations whose core tasks are essentially routine can mix organic and enabling-bureaucratic features, enabling workers to switch between production tasks and quality-circle activity. This is consistent with Ahrens & Chapman (2004), who, by studying the management control systems in a Restaurant Division, found that processes of coercive formalisation existed side by side with processes of enabling formalisation.

The role of involvement

Adler & Borys (1996) argue that the degree to which a formalisation is interpreted as enabling or coercive can be strengthened by how it is implemented by management. Hence, a successful implementation process can increase the employees' positive attitude towards the formalisation, while a negative experience is likely to be induced in the case of the opposite. They underline the importance of the implementation process by stating that a formalisation that is regarded as enabling by those who designed it can be implemented in a coercive way.

One of the factors that Adler & Borys (1996) believe will lead to a successful implementation process, and therefore a positive attitudinal outcome, is the involvement of employees in the formulation process of a procedure. This is consistent with March (1994) who found that when introducing a new technology, or changing a standard operating procedure, those who participated in the decision are more likely to have a positive attitude towards the change than those who did not participate.

Wouters & Wilderom (2008) build on Adler & Borys' (1996) concept of involvement of employees in the formalisation process through a study on the design and implementation-phase of a performance measurement system (PMS). They look at the development process of a PMS and how it affects the employees' perception of the PMS as enabling. They propose that a PMS is likely to be viewed as enabling if the employees characterise the development process as experienced-based. They also highlight allowing employees to participate in experimentations of the PMS as another important factor. Linking this to Adler & Borys'

(1996) internal transparency feature, Wouters & Wilderom (2008) seem to agree that involvement in the development process and a clear insight into the rationales behind the procedure will likely lead to a more positive attitude towards a new procedure.

In addition, Wouters & Wilderom (2008) propose that building on existing, local experience is an important characteristic of enabling PMS development. A development process will successfully stimulate enabling formalisation when it fully acknowledges, respects, and utilises the intellectual capital of lower-level employees' existing practices of and insights in performance measurement. This opposes to the conventional development process which is usually characterised as very top-down (Wouters & Wilderom, 2008). In this case, management firstly define the overall strategic objectives clearly and secondly consider the local operations' specific contribution toward achieving these overall strategic objectives (Wouters & Wilderom, 2008).

Further, Wouters & Wilderom (2008) argue that the development process should involve employees in an experimentation phase to be perceived as enabling. The performance measures are not likely to be right the first time; thus, the process should involve employees in experimentation and testing as they are the ones who are best placed to judge that their work efforts are validly or invalidly reflected in the performance measures.

Wouters & Wilderom's (2008) results are consistent with those of Glew et al. (1995) who find that participation in change processes affect satisfaction with the process, outcomes and acceptance.

Other factors that may have attitudinal effect

While our analysis will be confined to Adler & Borys' (1996) four generic features and to the role of involvement, we now present a short overview of other features that have been considered to have attitudinal effect on employees.

Adler & Borys (1996) identify goal congruence as a critical contingency in regards to securing a positive attitude towards a formulisation. An employee who have good knowledge of the organisational goals is less likely to interpret formal procedures as a breach of individual autonomy.

Adler & Borys (1996) also argue that asymmetries of power in the organisation, asymmetries in the distribution of resources and institutionalised employee voice can encourage a coercive

logic. March (1994) support this view by highlighting hierarchy as a feature that imposes differences in power. According to Adler & Borys (1996), uneven distribution of power in an organisation will encourage a coercive logic as it is easier for people in higher positions to deflect responsibility for negative outcomes downwards in the hierarchy.

Further, Adler & Borys (1996) state that an absence of what they call a "reality check" will lead to a more coercive logic. A lack of competition and external influence can reduce the incentives for improvement and thus lead firms to focus on itself instead, focusing on coercive bureaucracy and increasing the risk for internal conflicts.

Finally, Jordan & Messner (2012) and Wouters & Wilderom (2008) have debated to what degree management's handling of performance indicators have attitudinal effects on employees. Performance indicators are used in many organisations to control and facilitate managers' decisions and actions. Drawing upon the framework of Adler & Borys (1996), Jordan & Messner (2012) look at the extent to which managers actually care about the design characteristics of such performance indicators. Where Wouters & Wilderom (2008) argue that employees who regard the performance indicators as incomplete may lead to a perception of the management control system as coercive, Jordan & Messner (2012) find that such incompleteness does not necessarily create a "problem" in the eyes of managers. As long as a flexible handling of the control system is possible, such a system can still be regarded as enabling. Further, they argue that the perception of a system can change over time. Top management can make small changes given the reaction of middle managers and employees. It is also possible that middle-management and employees can grow fond of a system as they start to understand and appreciate the benefits over time.

2.3 Conceptual framework

We have summarised our theoretical approach in this thesis in the following conceptual framework. Above all, it suggests that both increased and decreased formalisation can be interpreted as either enabling or coercive formalisation.

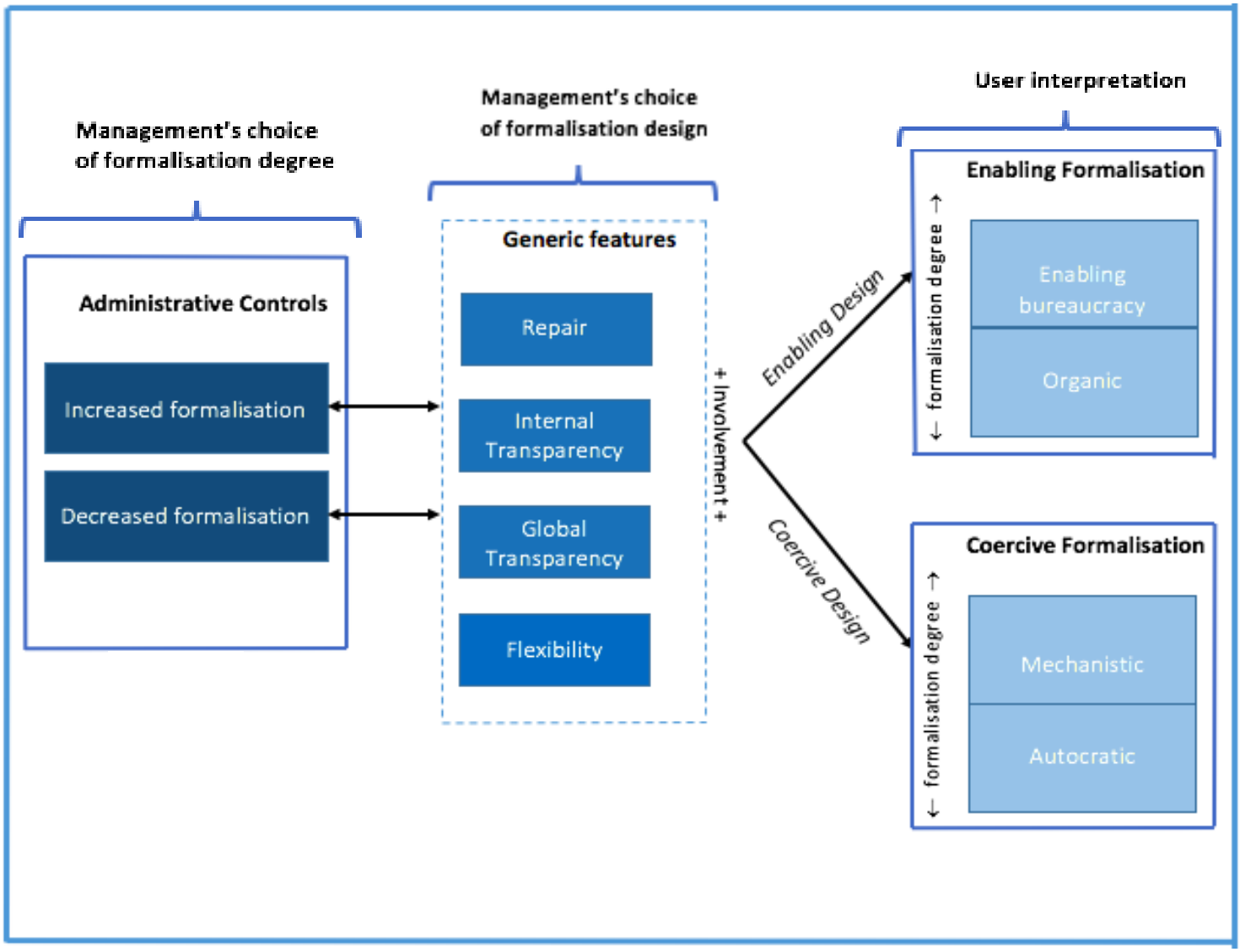

Figure 3: Conceptual Framework

The left-hand side of the framework represents the degree of formalisation that management chooses for the formalisation in question. In this thesis, we will be analysing Statoil's implementation of two administrative controls; one increase in formalisation and one decrease.

In phase two, management must choose how the formalisation should be designed. We will be analysing how the two formalisations have been designed in relation to the four generic features presented by Adler & Borys (1996). The analysis will uncover whether the formalisations introduced by Statoil entails an enabling or coercive design which again influences how the users interpret the organisation's MCS. Note that we suggest the possibility for an iterative interaction between the four generic features and the two degrees of formalisation. This is because where some firms will short-circuit this relationship early, others will experience longer processes when designing formalisations.

As argued by several researchers, the degree to which a formalisation is interpreted as enabling or coercive can be, if present, strengthened by the involvement of employees in the formulation process of a procedure (Adler & Borys, 1996; March, 1994; Wouters & Wilderom, 2008).

Finally, if the formalisaiton incorprates an enabling design, the users will view it as either Enabling burraucry or Organic, depending on the degree of formalisation. In the case of the opposite, the users will experience the MCS in the organisation as Mechanistic or Autocratic.

As the reader will notice, we will be comparing managerial intentions and user interpretations throughout our analysis.

3. Methodology

The purpose of this chapter is to give an overview of the methodological approach when conducting our research procedure.

First of all, it is important to note that we have chosen a top-down approach when answering our overall research question. This means that we have looked at the changes made to our case-study organisation's (MCS) from the corporate division's perspective. Hence, we have been interested in studying what corporate intentions were behind the changes made, and then how the users of the MCS have interpreted them.

When planning our research process, we observed that there are numerous ways of conducting it. By elaborating on our different choices, we aim to display the rationales behind the methodology in this thesis.

3.1 Research philosophy, design and approach

There are a number of choices that need to be made before designing an overall research strategy.

Research philosophy

The research philosophy refers to the researcher's belief system and assumptions regarding how knowledge is developed (Saunders, Lewis, & Thornhill, 2016). Whether it is a conscious choice or not, the research philosophy is thought to reflect our view of the world. This will again affect how we understand our research question as well as the methods chosen in order to explore it.

Saunders et al. (2016) distinguish between three different research philosophies: Ontology, Epistemology and Axiology. A researcher with an ontological approach is absorbed by assumptions regarding the nature of reality. Hence, he or she will be trying to understand the reality of what emerges when exploring the research question. An epistemological philosophy questions the knowledge that appears when researching a subject. This is done through critical thinking about how we can know what we know and issues such as what knowledge should

be considered acceptable. Finally, an axiological approach focuses on being conscious about how the different research participants' values affect the research process.

Furthermore, Saunders et al. (2016) also distinguish between having an objective or subjective approach to the different research philosophies. An ontological objectivist argues that the social reality we observe through research is an entirely independent and external factor that is removed from any research participant. Those who are most extreme view social reality as physical entities that only have one truth to all the different social actors. Researchers with an epistemologically objective philosophy aim to discover the truth about the world through observations and facts. An objectivist generally believes that social entities and actors exist independently of each other. An axiological objectivist, therefore, tries to keep research free of values, which according to them can bias their findings. Staying detached from their own values is critical.

On the hand, subjectivism believes that social reality is created by social actors to a greater or lesser extent (Saunders et al., 2016). Subjective ontological researchers will consider the outcome of a research process to be socially constructed by the different research participants, including the researcher. This is done through the language, interpretation and social concepts that are applied. There is also an acceptance of multiple realities. A subjective epistemological philosophy is concerned with opinions, attributed meanings and narratives through adopting assumptions of the arts and humanities. Furthermore, it focuses on trying to understand how different individuals and contexts cohere. Finally, subjective axiological researchers will acknowledge the fact that because they are actively reviewing and using the data retrieved from the research process, they cannot detach themselves from their values. They, therefore, spend time on openly reflecting and questioning their own values, which is also included as part of their research.

Our research

Our primary approach is to use Adler and Borys' (1996) framework to explore how the two formalisations Statoil have introduced are interpreted by the users. Hence, we are applying an ontological philosophy. Our results aim to reflect the existing social reality. However, our choice of using interviews with Statoil employees in order disclose the matter implies a subjective approach. Hence, we believe social reality at Statoil to be constructed by the social actors. Because our research is also trying to uncover if there is any mismatch regarding what

was intended by those who introduced the new formalisations and those who apply them, we also accept that there may be multiple realities.

Research design

According to Saunders et al. (2016), one of the most important choices to be made when building a research strategy is whether to opt for a quantitative or qualitative methodology. One way of distinguishing the two is to look at whether the research is based on numeric or textual data (Williams, 2007). A quantitative research design focuses on examining the relationship between variables that a measured numerically by using a range of statistical and graphical techniques (Saunders et al., 2016). On the other hand, a qualitative research design focuses on textual data, on meanings and the relationship between them. This is done by using various data collection techniques and analytical processes to create a conceptual framework.

Further, Saunders et al. (2016) encourage the researcher to be conscious of whether the research design aims to be of exploratory, descriptive or explanatory value. This is very much decided by how one goes about asking the different questions that are aimed to collect data to answer the overall problem statement. An exploratory study is a flexible approach that allows one to alter the direction of the research procedure as new data appears. There is a focus on asking open questions aiming to reveal what is happening and as well as the reasons behind it to clarify an understanding on an issue or a problem.

A descriptive approach requires that one is well-informed in advance in regards to the phenomenon that you wish to collect data on (Saunders et al., 2016). The aim is to accurately convey events in their proper sequence, meaning the researcher must ask straight and unadorned questions in the process (Sandelowski, 2000). Finally, an explanatory study seeks to establish the casual relationship between different variables by studying them in specific situations (Saunders et al., 2016).

Our research

Our research aims to establish the opinions of both those who have implemented and received the two formalisations introduced in Statoil. We are interested in their in-depth experience of the situation and also wish to study the relationship between the different meanings. We, therefore, find it advantageous to apply a qualitative approach. Furthermore, the study will implement an exploratory approach to a research process. We believe that asking open

questions in our interview process will give the respondents an opportunity to speak more freely about their experience of the situation. This will hopefully provide us with an opportunity to gain a comprehensive understanding of their perception and responses to the adjustments that have been made by Statoil. We believe that the exploratory approach's flexible nature will helpful because it will allow us to change the direction of the interview should anything unexpected be reviled during the interviews.

Research Approach

It is also necessary to decide upon an approach for drawing conclusions from the research data that the research strategy provides. Saunders et al. (2016) distinguish between three different approaches: deduction, induction and abduction.

A deductive approach is concerned with drawing conclusions logically from a set of premises. The conclusion is thought to be true when the all the premises are true (Ketokivi & Mantere, 2010). Research processes where the researcher starts with a theory developed from the reading of academic literature, before designing a research strategy to test the theory, is applying a deductive approach (Saunders et al., 2016).

On the other side of the scale, an inductive approach looks to draw conclusions from empirical observations (Ketokivi & Mantere, 2010). Here, researchers focus on collecting data to explore a phenomenon and then move on to generating a theory or a conceptual framework (Saunders et al., 2016).

Finally, an abductive approach is as a combination of the deductive and inductive approach. Conclusions are drawn from observations which then lay the foundation for a premises that partially or wholly explain the conclusion. Data is collected to explore a phenomenon, identify themes and explain patterns. Building on this, the researcher generates a new theory or develops an existing one through additional data collection (Saunders et al., 2016).

Our research

This thesis will be applying an abductive approach. Firstly, we collect data through reviewing internal Statoil documents and conducting interviews. This is done to explore the effects the introduction of the two formalisations have had on the organisation. We then turn to theory

on management control systems, Adler and Borys' (1996) framework and more recent research to develop a conceptual framework that can help us explain our observation.

3.2 Research Strategy

A research strategy is a plan for how the researcher will be answering the underlying research question and figures as a methodological link between the research philosophy and choice of methods for collecting data (Denzin & Lincoln, 2011). Many factors influence the selection of research strategy. However, Saunders et al. (2016) believe the most fundamental of these to be the research question and objectives, the research philosophy, approach and purpose, as well as pragmatic concerns such as the amount of available time and resources.

In light of our research question and the choices that have made regarding our research philosophy, design and approach, we identified three suitable research strategies: ethnography, grounded theory and case studies. Ethnography focuses on describing and interpreting people in groups who interact with each other (Saunders et al., 2016). Furthermore, Saunders et al. (2016) explain that grounded theory *"is used to develop theoretical explanations of social interactions and processes in a wide range of contexts"* (Saunders et al., 2016, p.193). Thus, a researcher with this strategy aims to develop a theory grounded in the available data.

A case study explores a phenomenon that is set within its natural context (Saunders et al., 2016). Through insights from intensive, in-depth research within a real-life setting, case studies are thought to give the researcher rich and empirical descriptions that can lead to the development of theory(Eisenhardt & Graebner, 2007). A case study can either be performed through studying a single case or multiple cases (Yin, 2014). A single case approach should be chosen when faced with a unique or extreme case, meaning that the researcher is studying a phenomenon few have considered before. A multiple case approach should be applied if the aim is generalisation and a possible replication of the different findings. Furthermore, a case study can either be a holistic or embedded case. Where the former observes the organisation as a whole, the latter involves several sub-units to create an impression of the whole (Yin, 2014).

Our research

This thesis will take a case study strategy to gain a rich understanding of the context in which the two formalisations have been introduced within. By conducting in-depth interviews and studying various Statoil internal documents we aim to uncover the realities behind how the implementation has affected the organisation. Furthermore, the case study will take the form of a single case study. The simultaneous introduction of the two formalisations is a unique case, meaning that few others have considered it before. Finally, we will be looking to study both how the two formalisations were intended and designed by Statoil's corporate division, as well as how it has been perceived by the different users. Hence, we will be taking an embedded approach by choosing to study two sub-units as our way to a holistic impression of the situation at hand.

3.3 Data collection

Time horizon

Saunders et al. (2016) distinguish between two-time horizons for the research process to be conducted within. A cross-section time horizon represents a "snapshot" taken at a specific point of time, while a longitudinal time horizon focuses on representing a series of events over a given period. Our research will be conducted within a cross-sectional time horizon through interviews over a short period. Naturally, the time frame for our thesis plays a major role in this choice. However, this approach is also interesting because it allows us to focus on studying the different interpretations that exist of the two formalisations close to when they were implemented.

Selecting samples

Defining the population

Before initiating the data collection process, the researcher must define a population that will make it possible to answer the overall research question (Saunders et al., 2016). Due to constraints on time, access and resources, it might be necessary to target a subset of the population. This is called a target population and becomes the actual focus of the overall research inquiry. To narrow down the whole process to make it more manageable, researchers

have the opportunity of choosing a sample that can be used to infer something about the target population. It is important to keep in mind that the underlying goal of the research process is to answer the research question (Saunders et al., 2016). The target population and sample must, therefore, be chosen in a way that ensures that this is still possible.

Considering our overall research question, our population can be defined as any organisation introducing two contradictory formalisations. Naturally, we found it necessary to narrow the process down by focusing on a specific part of this population. We, therefore, chose Statoil and those directly involved in and affected by, the changes that have been made as our target population. Furthermore, in cooperation with our thesis supervisor and representatives from Statoil, we identified a sample of respondents who were believed to be capable of giving us those insights that could help answer our overall research question. All in all, the aim is that the chosen sample of respondents will be able to infer something about the introduction of two contradictory formalisations in Statoil. Ultimately, our thesis intends to be of value for any organisation confronted by similar pressures to those faced by Statoil.

Probability vs. Non-probability sampling

The selection of respondents from the target population can either be done through probability or non-probability sampling (Saunders et al., 2016). The probability technique provides information on the likelihood of someone in the sample being chosen from the target group. Hence, one can statistically determine to what degree the interviewee can infer something about the population. This is not the case for non-probability sampling, although one may still be able to generalise about the population given (Sanders et al., 2016).

This thesis is based on a non-probability sampling. Our aim was to develop an in-depth understanding of our research topic, rather than to draw statistical generalisations. We focused on getting many different insights on the subject rather than to maximise statistical inference to acquire a holistic view.

Sample size

There are no rules regarding the size of the sample when using a non-probability sampling according to Saunders et al. (2016). Instead, it is important to strive for a sufficiently logical connection between the sample and the research question. Consequently, Patton (2002) states that the sample size should be dependent on the research question as well as an evaluation of

what is thought to be useful, credible and possible to be done within the available resources. It is of particular importance to be aware of these factors when conducting structured or semi-structured interviews.

The appropriateness of our sample size is discussed in the internal validity-section.

Sampling technique

The sampling technique refers to how one goes about choosing the specific sample of respondents (Saunders et al., 2016). There are different techniques within non-probability sampling ranging from quota sampling where the sample tries to represent the whole population, to haphazard sampling answers to the need of obtaining samples quickly and which leads to little control over the selected sample. This thesis will apply a purposive sampling technique, which requires the researcher to purposefully choose the sample which will help answer the research question in the best possible way (Saunders et al., 2016). The technique is thought to be useful when working with smaller samples such as in case studies (Neuman, 2005).

Our sample was selected in cooperation with our thesis supervisor and our contact person in Statoil. After clarifying the objectives of our study, our supervisor, Katarina Kaarbøe, initiated the initial contact with Statoil. As a result of this process, Statoil requested a study of two recent changes that the company had made to its Management Control System (MCS). We were then provided with a contact person by Statoil, who invited us to corporate headquarters in Stavanger to discuss what could be the best approach. For the same day, he also set up meetings with the members of Statoil's corporate body that had been responsible for designing and implementing the two changes to the MCS. As a result of the discussions, our contact person cooperated with a member of Statoil's Development and Production International (DPI) team and set up interviews with five country managers, four function members and two more members of the teams that had been part of the design and implementation team.

Our top-down approach made it important for us to interview both members of the different teams that had been involved in designing and implementing the two changes to the MCS, as well as employees that are now obliged to comply with the new systems.

The sample

We will now give a detailed guide of the sample of respondents that we have been given access to when conducting our study. Note that it will be highly useful for the reader to have an overview of the sample at hand when going through our empirical findings in Chapter 5 and the analysis in Chapter 6. This will enhance the overall understanding of the research we have conducted.

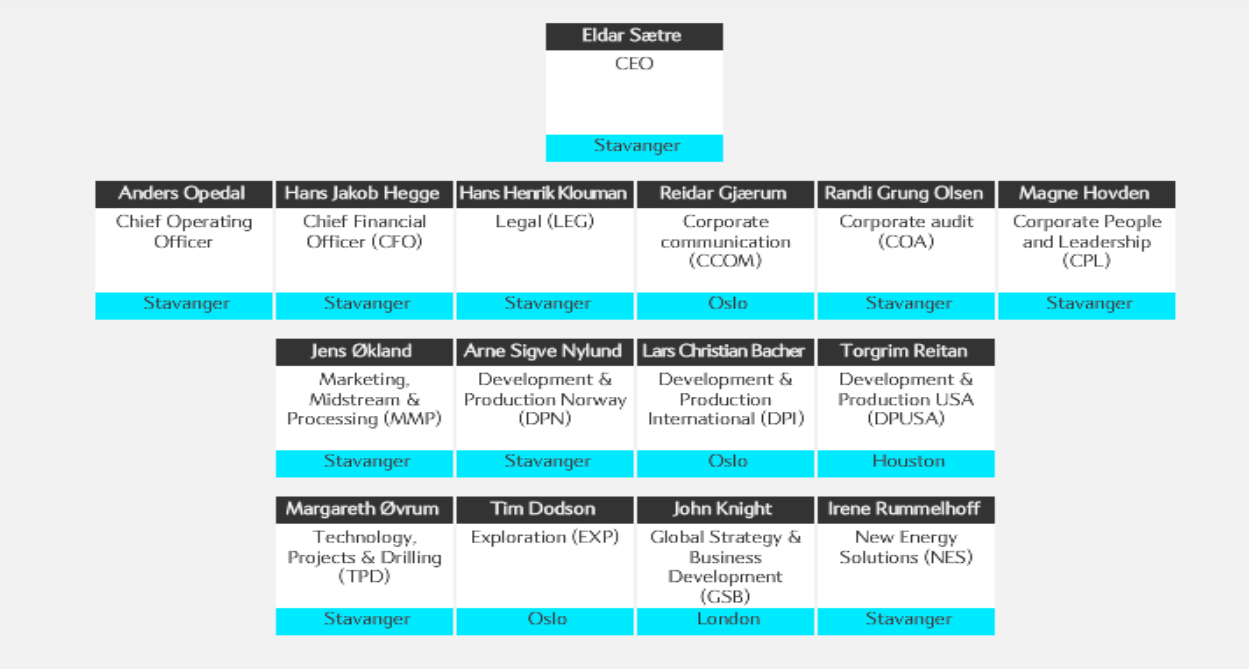

Figure 4: Organisation Chart (Statoil f, 2016)

Our sample consists of 14 different Statoil-employees. To preserve participant anonymity, which is discussed section 3.4, we have placed the respondents into four different employee groups. Two of the groups represent the corporate body that has been involved in the design process of RM100, while the other two contains employees who have been affected by the changes made to the Management Control System (MCS).

Group 1: Three members of the corporate risk team

The members represent different parts of Statoil's corporate body, which is presented in figure 4. They were responsible for designing and implementing the increased formalisation that we later refer to as RM100.

Group 2: Two members of the corporate operational staff

The members of this group were responsible for designing and implementing the decreased formalisation which is later referred to as MS Roadmap. In Statoil, they sit as part of a team that supports the Chief Operating Officer, Anders Oppedal (see figure 4).

Group 3: Four people from the function.

The function people are also part of Anders Oppedal's Chief Operating Officer (COO) group (see figures 4). However, they operate in different parts of the organisation as discipline experts to assist and give advice on issues that relate to their fields of expertise. The people from the function that we interviewed sit within Statoil's DPI division (see figure 5) which is headed by Lars Christian Bacher (see figure 4), but they formally answer to the COO.

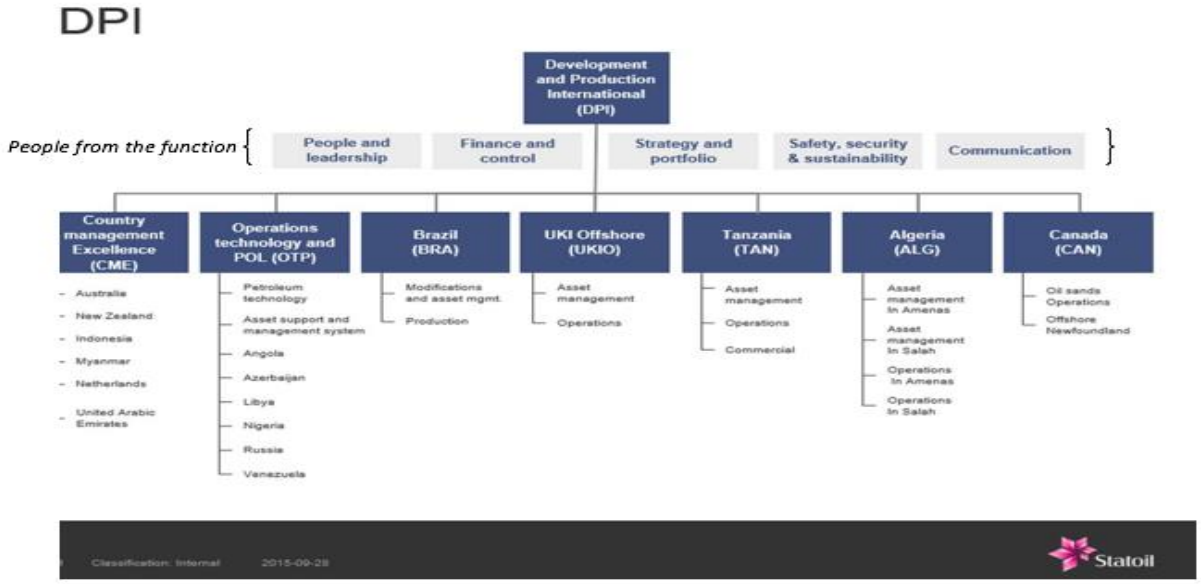

Figure 5: DPI Organisational Chart (Jan Helge Skogen, 2016)

Group 4: Five country managers

The country managers are legally responsible for all operations in their respective countries and represent employees that must now comply with the changes made to the organisations MCS. They are part of Statoil's DPI division which is headed by Lars Christian Bacher (see

figure 4). Figure 5 provides an overview of how DPI is organised and further where the country managers sit within the division.

Note: For the sake of simplicity, we will sometimes use the term "Supporting Roles". This term refers to roles such as the Corporate Operating Organisation (COO), people from the function and HR-related groups.

Interviews

It is normal to distinguish between two different types of data sources, primary and secondary sources (Saunders et al., 2016). Primary sources represent data that is collected directly from the source specifically for the research project, while a secondary source is data that was originally produced for other purposes. This thesis uses secondary sources in the form of internal Statoil documents. Some documents have been provided to us by our contact person, and some of the data is available online. They have all been used to generate an understanding of Statoil's management control system and the changes they have made to it. The backbone of this thesis' research though is built upon primary sources generated from interviews.

Yin (2014) acknowledges interviews as an imperative source of information when conducting case-studies. Saunders et al. (2016) distinguish between three main types of interviews with based on their structure: structured, semi-structured and unstructured interviews. Structured interviews rely on a standardised interview format and a pre-defined set of questions. Where this interview-type is usually used for quantitative studies, the last two are often preferred for qualitative research processes. In semi-structured interviews, the interviewers have certain themes and key questions that they wish to cover. The focus is on designing an interview process where the interviewee elaborates around these and also on asking additional questions to ensure that the objectives for the interviews are met. Unstructured interviews where the aim is to get the respondent to elaborate freely on event, behaviour and beliefs in regards to a specific topic.

Our research

Our interviews were based upon semi-structured interviews as we regarded this as the most effective way to meet the objectives of our interview process. Before conducting the interviews, we developed an interview guide that defined some topics and key questions that we wished to cover. This helped ensure that the interviews provided the necessary information

needed for our research. Overall, though, our focus was on getting the interviewees to tell the story of how they experience and interpret the changes made to Statoil's management control system. Furthermore, asking follow-up questions allowed us to keep on track and to extract detailed information.

Conducting the interviews

Before the interviews, we spent time studying relevant theory and the secondary sources that we had been given access to. This helped us to develop a relevant interview guide. It also ensured that we could discuss our research topic at a detailed enough level with our interviewees. Before starting the interviews, we informed the respondents about the consent form we had signed that ensured their anonymity. We also asked permission to audio record the proceedings. This allowed us to maintain a fluent interview process. In combination with the following transcriptions, it also secured the necessary information and quotation accuracy.

Although we interviewed employees who are stationed in different parts of Norway, but also in various locations around the world, we were able to conduct most of the interviews face-to-face. Two of the interviews were held using Statoil's video conference facilities. Although there is always a concern that this will lead to the loss of contextual information like body-language and facial expressions, we experienced that the equipment used was of a high standard. Hence, we do not believe that video conferences were significantly inferior to face-to-face interviews. The interviews were conducted in either Norwegian and English according to what was most beneficial for securing a fluent interview process.

Analysing the data

After conducting the interviews, we proceeded to transcribe the different audio recordings. We then used the information to conduct a template analysis that aimed to categorise the collected data into different themes and look at the relationship between them. Some of the categories like repair, internal transparency, global transparency and flexibility were pre-defined in accordance with our chosen theory, while new categories also appeared as a result of the information given to us by the respondents. Next to the material we received through the secondary sources, we continued to analyse, compare and categorise the interviews until we were able to draw conclusions.

3.4 Evaluating the chosen methodology

Two dominant factors prevail when evaluating the quality of chosen methodology: the study's reliability and validity.

Reliability

Reliability refers to the consistency of the study (Saunders et al., 2016). A study is thought to be reliable if a researcher can yield the same findings from replicating a research design (Yin, 2014). Saunders et al. (2016) point towards four threats to reliability: participant error, participant bias, researcher error and researcher.

Participant error

Participant error refers to any factors that might have affected how the respondents perform (Saunders et al., 2016). All of the interviews were voluntary and conducted on the interviewee's terms in regards to both time and location. Hence, there is likely to have been little interference from factors connected to their normal work duties. Having said that, this study provides a snapshot of how the two formalisations are interpreted while they are still relatively new to the organisation. Hence, it would be interesting to replicate the study when the changes to the management control system are more ingrained.

Participant bias

Participant bias concerns any factors that might induce false response from the respondents (Saunders et al., 2016). This study is conducted on behalf of Statoil's corporate leadership, and the interviews were initially organised through our contact person in Statoil who is part of Statoil's COO-function. The fact that the interviewees know that the outcome is likely to be read by their superiors might have led to a certain degree of participation bias. Having said that, this threat to the study's reliability was greatly reduced by only interviewing the employees on a voluntary basis and by ensuring them of their anonymity. All of the respondents also seemed very engaged in the research topic and expressed that they were eager to see the study's final results. Hence, we feel that they saw the benefit of answering as honestly as possible so that the study produced reliable results that could benefit the organisation.

Although most of the interviews were conducted individually in a private setting, meaning that the influence of external factors was kept to a minimum, three of the function people were interviewed together with the country manager present as well. Interviewing the respondents in a group can potentially have induced some participation bias as the different individuals might have avoided expressing their true opinion for fear of being judged by the others who were present.

Researcher error

Researcher error refers to any factors that might have influenced the researchers' ability to gather and interpret information (Saunders et al., 2016). To minimise this threat, both researchers were present at all the interviews. We also recorded and later transcribed the interviews which guaranteed that we were analysing the correct data at all time. This also allowed us to focus on non-verbal signals as well and therefore strengthened the interpretation of the data. Furthermore, an interview guide was applied which ensured a certain standardisation in regards to the information we were able to collect. All in all, we regard the threat of researcher error to be low.

Research bias

Finally, researcher bias relates to any factors that induces a bias in the researchers' analysis and presentation of the data (Saunders et al., 2016). None of the researchers in this study have any personal affiliations with Statoil outside this research project. Although it is a well-known company in Norway, we were not familiar with its management control system practices before conducting the study. Furthermore, we have attempted to be conscious of the subjective nature that the interpretation of qualitative studies brings and thus tried to be as objective as possible throughout the process.

Validity

Validity refers to the degree to which the collected data represents the phenomenon that is being studied and consists of three different aspects: construct, internal and external validity (Johannessen, Kristoffersen, & Tufte, 2011). Construct validity is primarily associated with quantitative research and considers if a variable or construct measures what it is intended to measure (Saunders et al., 2016). We do not regard it to be necessary for us to reflect upon this as our study is of a qualitative nature. This means that we have had the opportunity to minimise

any construct validity issues through making sure that all our interview questions were correctly understood.

Internal validity

Internal validity refers to the extent of which the research can establish a causal relationship between two variables (Saunders et al., 2016). In this study, it discusses whether the opinions of our respondents reflect the sentiments of the groups that they represent, respectively Statoil's corporate body and the employees that are affected by the changes made to the management control system. All of our respondents were selected on the basis of their knowledge of the two formalisations that have been introduced in the organisation. As our sample suggest, they are also spread over four different respondent groups meaning that we have been given access to a differentiated sample of the company. By basing our research on theory, interviews and internal documents, we also achieve triangulation which Saunders et al. (2016) argue will lend support as to whether the data is indeed telling us wat we think it is telling us. Having said that, although this study is based on non-probability sampling that does not aim to determine anything statistically, it is reasonable to point out that 14 interviews would be insufficient to get a fully representative picture.

External validity

External validity concerns whether the study's findings can be generalised to other relevant settings or groups (Saunders et al., 2016). As our overall research question implies, this study aims to infer something about how two contradictory formalisations are interpreted in organisations on a general basis. Although our study is specific for the Statoil's management control system practices, the different degrees of formalisations that we study are of a generic nature. The same can be said for the theoretical perspective that has been applied. Therefore, we believe that our study is of value to other organisations that wish to introduce different degrees of formalisations. Having said that, we recognise that it would have been beneficial to review several organisations over a longer period of time.

3.5 Ethical issues

Saunders et al. (2016) refer to research ethics as the standards of behaviour that guide the researcher's conduct in regards to those who are either a direct subject of the study or affected

by it in any other way. Diener and Crandall (1978) have broken issues related to ethics into four main areas that researchers must consider when conducting a research procedure: Whether there is harm to participants, whether there is a lack of informed consent, whether there is an invasion of privacy, whether there is deception involved.

Harm to Participants

Harm to participants refers to the fact the researcher must be considerate of emotional well-being, mental or physical health, or social or group cohesion (Saunders et al., 2016). Most relevant for this study is the degree to which we have managed to ensure the confidentiality and anonymity that we promised the research participants before conducting the interviews. Ensuring full anonymity is somewhat challenging in this study as we have interviewed senior figures in the company that are likely to be well-known in the company both by position and reputation. However, we have avoided mentioning specifically which country managers, members of corporate or members of the function that we interviewed, and instead referred to them as members of different employee groups. This increases the degree of anonymity substantially. Personal characteristics that could figure as identifiers have also been excluded to the extent it has been possible.

Informed consent

Informed consent involves the researchers providing the respondents with enough information so that they understand the implications of their participation before giving their consent (Saunders et al., 2016). The research participants were all fully informed about who we were and our objectives by both us and our contact person in Statoil who helped to set up the interviews. This allowed them to make an informed decision on whether to participate or not.

Invasion of privacy

This area is very much linked to informed consent because by giving informed consent, respondents express that they understand and accept the implications of their participation, also in regards to privacy-related issues (Diener & Crandall, 1978). Having said that, the researcher must still make sure to act responsibly in regard to the respondents' privacy and personal values. In regards to this, we made sure to communicate that the respondents were free to refuse to answer questions. We abstained from pressing for an answer beyond what is

reasonable. In general, we experienced little hesitation from the respondents during the interviews, and we, therefore, assume that they did not experience any invasion of their privacy.

Deception

Deception occurs when researchers intentionally present their research to the participants as something other than what it actually is (Diener & Crandall, 1978). This was not an issue in our study as it was in our self-interest to present the research topic as accurately as possible to ensure that we would obtain both relevant and accurate information.

4 Empirical background

In this chapter, we will present Statoil as a study object. Further, we will describe the changes Statoil have made to their Management Control System (MCS) as well as a brief presentation of the story behind these changes. The following information was retrieved from the Statoil Book, internal documents, the Statoil web page as well as interviews with Statoil employees.

4.1 Statoil as a study object

Oil is a cyclical business (Financial Times, 2016). In 2014, Chevron CEO John Watson stated that "*labour and capital costs have more than doubled in the last ten years, creating a "new reality" for energy producers and consumers".* With prices dropping from a level of around $100 per barrel in 2014 to $27 per barrel in 2016 (52 Week Low as per 22/11/16) (InvestmentMine, 2016), it is the worst decline for three decades. According to industry experts, oil prices could remain at $50 per barrel for a long time. The drop in prices has made oil companies look at themselves, reconfiguring their organisations and look at relationships with suppliers and governments to cut costs, adjusting to an era of lower oil prices (Financial Times, 2015).

Statoil ASA was formed following a decision by the Norwegian Parliament in 1972. Statoil is an international energy company employing 31,175 people across 41 different countries and territories (Statoil d, 2016). The primarily focus is on upstream oil and gas operations. In 2007, Statoil merged with Hydro's oil and gas division in a deal thought to be worth $29bn, making it the largest offshore operator in the world (Financial Times, 2006). Statoil's' headquarter is situated in Norway, and the company is listed on the Oslo and New York stock exchanges. The Norwegian State is the largest shareholder, holding 67% of the shares (Statoil e, 2016).

Low oil and gas prices have affected Statoil's financial results over the last years. 3rd quarter results for 2016 were presented during the work on this dissertation, reporting a net operating income of USD 737 million compared to USD 883 million in the same period of 2015. Adjusted earnings after tax were a negative USD 261 million, compared to USD 445 million the previous year (Statoil, 2016). Just like its competitors, cutting costs has become an increasingly important factor to remaining profitable as low prices continue to weigh on the

industry. Specifically, the outlook in the 3rd quarter results states an expectation to *"deliver efficiency improvements with pre-tax cash flow effects of around USD 2.5 billion from 2016".*

The magnitude of Statoil's operations implies a substantial need for an efficient management control system (MCS). The system in place today has been evolved since 1972. With new processes introduced over time, there has been increasing bureaucracy and rigidity (Bogsnes, 2013). Further, merging with what was one of the world's largest aluminium companies implied the need for substantial change to Statoil as an organisation. An integration planning team (IPT) was appointed in order to develop an efficient model for cooperation (Szumilas & Stensaker, 2009). At the time of the merger it was announced that the new entity would be carried out from Statoil's guidelines, structures and control systems, but at the same time draw on best practices from both companies. IPT argued that a whole new organisation had to be created, where one of the main focus areas would be to standardise work processes. The aim was that it should result in increased economies of scale, standardisation gains, as well as identify and diffusing best practice which results in reduced costs and greater efficiency.

Although the changes to Statoil's MCS were deemed necessary in a time of substantial organisational change, there has been a recognition the last couple of years that the focus on standardisation has gone somewhat too far. In an attempt to steer everything in the same direction the MCS ended up becoming excessively detail oriented. As a result, Statoil at one time had as many as 160 000 different formalisations.

The need for change was confirmed by the Gullfaks C incident in 2010 where Statoil experienced a serious gas leakage on one of its platforms. Norway's Petroleum Safety Authority highlighted several weaknesses in the MCS connected to risk management and insufficient use of governing documents as part of the cause (Petroleumstilsynet, 2011).

Such incidents showed Statoil that they might be taking the safety and control measures too far. The significant focus on control and standardisation did not take into account the different operating conditions in Statoil. Further, the drop in oil prices has forced Statoil to cut costs across the organisation. This was the starting point for the Management System Roadmap (MS Roadmap) process when it was initiated in 2013. The goal of the MS Roadmap is to increase efficiency in operations by giving a larger autonomy to the line as well as reducing the number of governing documents.

Almost at the same time as MS Roadmap, Statoil has introduced a framework for risk management; RM100. RM100 is based on ISO 31000 – Risk Management. ISO 31000 was introduced by the International Organization for Standardization and *"…provides principles, framework and a process for managing risk. It can be used by any organisation regardless of its size, activity or sector. Using ISO 31000 can help organisations increase the likelihood of achieving objectives, improve the identification of opportunities and threats and effectively allocate and use resources for risk treatment."*(International Organization for Standardization, 2009) Minimising or mitigating risk is crucial to Statoil. Risk is being discussed and communicated through the organisation, arriving at the corporate level for discussion if necessary. While risk has always been discussed, there has not been one single standardisation for how to communicate risk. At the corporate level, this has made it difficult to compare risk from different projects and countries, thus leading to the need for a standardised way of risk communication.

We will present RM100 and MS Roadmap in more detail in the next part. However, interestingly, these are two different types of formalisations. While MS Roadmap is a rather large change involving both new roles in the organisation and adjustments to the autonomy of the line, RM100 is a standardisation of something Statoil is doing already (i.e., risk communication). Further, RM100 is a way of coercing employees and saying *"this is how you are supposed to do it"*, while the MS Roadmap is trying to enable employees to be more efficient and cut costs.

4.2 The Management Control System in Statoil and MS Roadmap

"We have a management system which defines how we work and describes how we lead and perform our activities."(Statoil b, 2013, p.9).

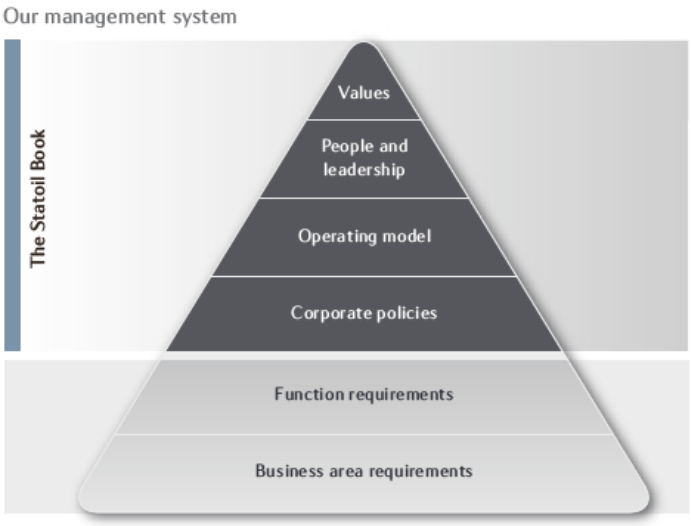

Figure 6: Statoil's Management Control System Pyramid (Statoil b, 2016)

Statoil's Management System (MS) is defined by six different components, as illustrated in the *figure 6*. The Statoil Book represents the foundations and describes Statoil's values, what is expected of employees and leaders as well as describing the operating model and corporate policies. The goal of the book is to ensure that Statoil operates safely and to assure effectivity in the operations.

Fundamentals, requirements and recommendations are reflected in the Statoil Book. Further, as a part of the operating model, the book lays out the organisational principles. These principles describe the structure of the organisation and how it is managed. We shall not go into depth describing this model, but the first principle is of high significance in this case, as it describes the two main types of entities in the organisation:

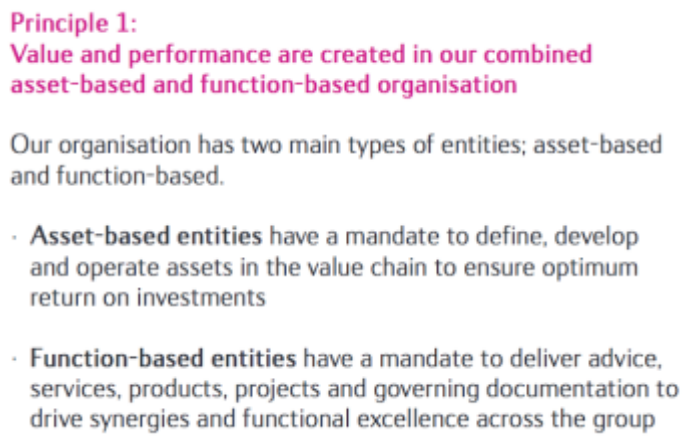

Figure 7: Statoil's Management Control System (Statoil b, 2016)

Asset-based entities, such as platform managers, are supported by function-based entities, such as Security, Safety & Sustainability (SSU). If the country is part of DPI, it is supported by DPI SSU. Each business area, such as DPI, has both asset-based entities and function-based entities supporting the assets. Within this matrix, there exists procedures and requirements describing what is expected from each entity.

Process Owner – Removed as a part of MS Roadmap

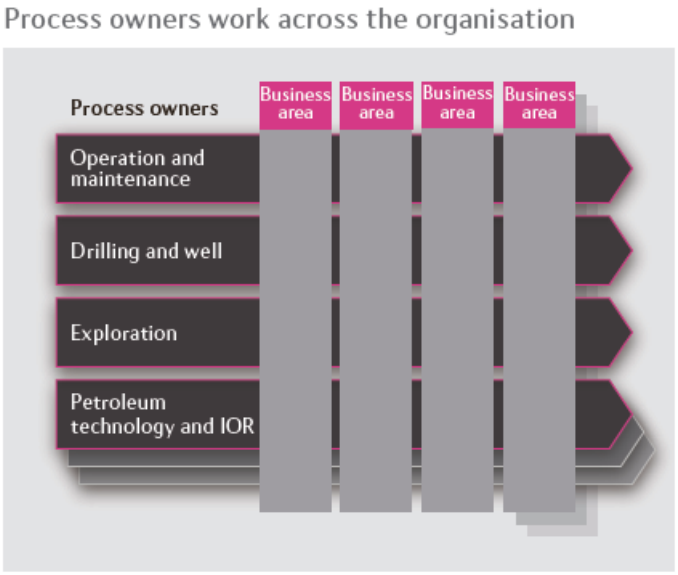

Figure 8: Process owners removed (Statoil b, 2013)

This role was removed as a part of MS Roadmap. However, we find it necessary to describe the role as several of our respondents refer to it when responding.

The process owners were appointed for the significant process areas. The main responsibilities of the process owner were to develop and improve Statoil global work progress and to drive simplification and improvement initiatives across the group. These improvements and initiatives were based on best practice and lessons learned throughout the organisation. Further, they had a supporting role when it came to monitoring compliance towards Statoil's global requirements as well as supporting business areas in the deployment of defined positions.

COO – Introduced as a part of MS Roadmap

The Chief Operating Officer is accountable for ensuring that the management system framework and tools needed in the organisation to enable safe, efficient and reliable operations are in place. The COO and his staff are responsible for maintaining safety and efficiency in all operations. Instead of having one Process Owner responsible for standardisation within each discipline, the new COO-position is responsible for standardisation across all disciplines. Though the similarity to a Process Owner is there, the COO drive general and broader improvement programs across all disciplines in contrast to the more asset-specific or function specific standardisations that was made by the Process Owners.

The Execution Framework

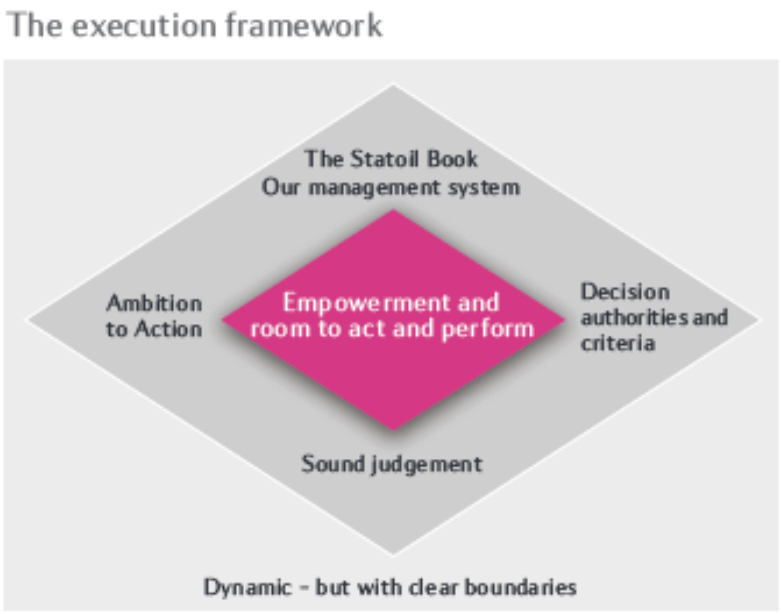

Figure 9: The Execution Framework (Statoil b, 2013)

An important part when describing the operating model of Statoil is the Ambition To Action. Ambition to action is Statoil's integrated performance process. It serves three purposes, the second purpose being most relevant to this case: *"Create a dynamic and flexible execution framework"* (Statoil b, 2013, p.29).

The Execution Framework is dynamic, but with clear boundaries. As an employee, you are expected to use and operate within this latitude. You are expected to make your own decisions, but not at the expense of other parts of the organisation.

The line role has authority and acts by the management system, in this sense, a platform manager can stop his/her operations when experiencing a large risk exposure.

An evolving management system – acknowledging the need for efficiency

After the merger between Statoil and Hydro in 2007, there was a need for a common culture and a common way of operating. As a result, post-merger Statoil has had different programmes facilitating best practices, harmonising processes and with experts looking at the management system (see *figure 10*).

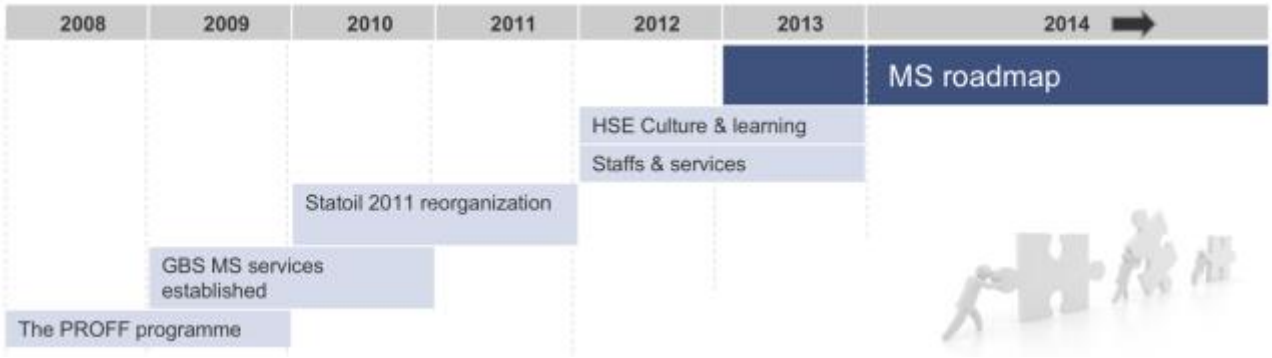

Figure 10: The evolvment of Statoil's management system (Golf, 2016)

All of the programmes from 2008-2012 have had a significant focus on safety and standardisation. But, with the HSE Culture & learning programme that started in 2012, there was a shift in the focus. While safety was still highly important, one also began to look at efficiency. An internal survey from 2013 showed that while 75% of the respondents agree that the MS enables high safety level, the same number for efficiency was only 37%. Thus, Statoil acknowledged that they had been taking the safety and control measures too far. Efficiency also affects cost, thus, this was a big business case if Statoil managed to increase efficiency in operations without affecting safety. This was the starting point for the MS Roadmap programme.

4.3 Risk Management in Statoil

Risk Management in Statoil was first formalised in 1997 when CEO Hans Nordvik asked for an enterprise view of Statoil's risk profile. A risk committee was established shortly after and since then different models, dealing with a variety of risks, have been developed, including country, financial, market, commercial and safety risk.

Statoil defines risk as "*a deviation from a specified reference value and the associated uncertainties"* (Aven, 2016). The organisation measures it through impact in accordance to a predefined scale, by using knowledge-based probabilities and by applying known uncertainty factors**.** Statoil's risk definition underlines the importance of identifying a reference value. This is developed carefully for each project in advance by discipline experts who rely on technical analysis and in-house business cases. Statoil also makes a point of distinguishing between risk and risk factors. Where the former focuses on the fact that something can go wrong, the latter seeks to understand why it goes wrong.

Statoil differentiates between three different types of risk management:

1) Enterprise risk management (ERM) manages company-wide risk and concerns any risk that can lead to direct value impact on Statoil's bottom line. It focuses on economic impact and incidents.

2) Task risk management (TRM) deals with the risk that is typically connected to the delivery aspects that support Statoil's value creation such as time, cost and quality issues. A TRM can become an ERM if the delivery aspects are believed to result in direct value impact on Statoil's bottom line.

3) Personal risk management (PRM) consists of risk that is solely connected to the individual manager or employee. Hence, it does not directly concern the enterprise at large.

As well as providing Statoil with a useful categorisation of its risk management, the distinction is also used to decide who is accountable for the different risks that exist. The term risk owner is important within the organisation and indicates who is accountable for the impact that a risk potentially can generate. In regards to the different risk categories, ERM is dealt with by asset owners within their specific asset areas. TRM usually concerns project-specific risk and is therefore handled by the project manager. In cases where risk connected to a certain project is thought to lead to value impact, meaning that the risk is relabelled as ERM, the project manager remains the risk owner on behalf of the asset owner. Finally, PRM is dealt with on an individual level.

Risk Management in the MCS

Risk is embedded as a central feature of Statoil's MCS. First of all, it is part of Statoil's highest governing document, The Statoil Book.

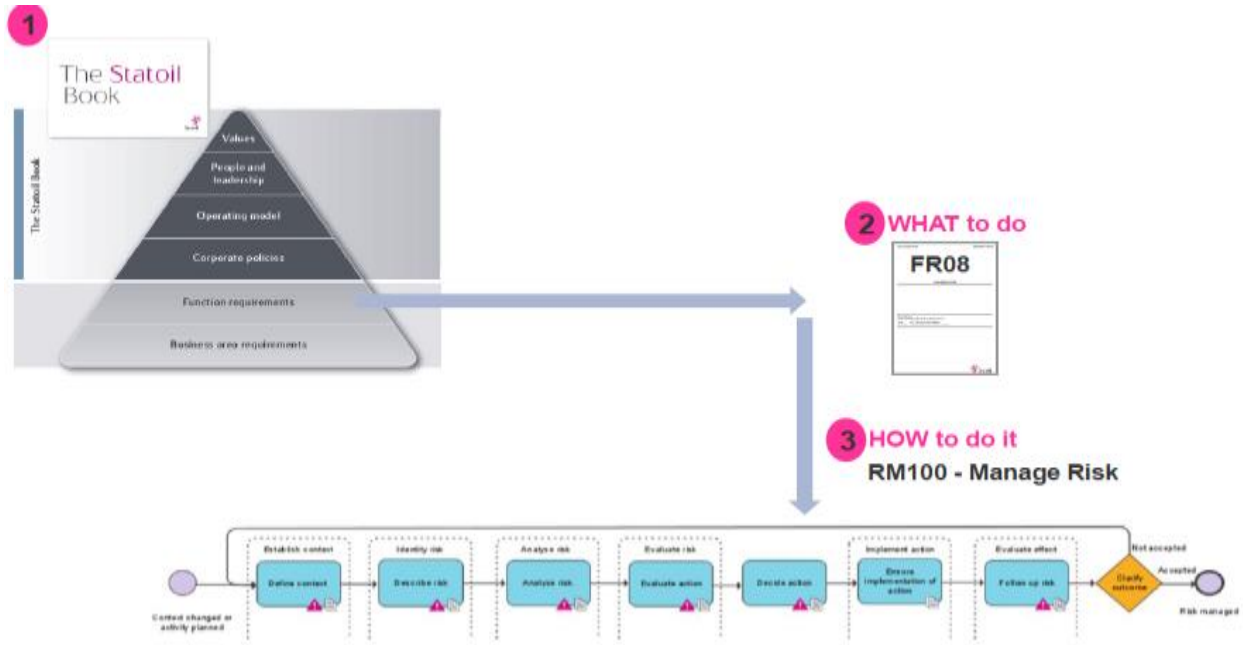

Figure 11: Statoil's Management Control System (Aven, 2016)

In *figure 11*, the organisation's values are placed at the top of the pyramid, which represents The Statoil book's main topics in prioritised order. One of Statoil's central values is to be courageous, and the ability to both understand and managing risk is listed as a significant contribution to achieving just that.

Furthermore, Statoil's MCS consist of many Functional Requirements which present what needs to be done to adhere to the foundation laid by the Statoil book (Aven, 2016). Functional requirement 08 (FR08) deals with risk and lists 13 requirements for what employees should act upon to deal with risk appropriately (Statoil c, 2016).

Next in Statoil's MCS when it comes to dealing with risk is RM100, this is a procedure for how risk management should be conducted. RM100 is based on the ISO31000 standards but is customised to Statoil's needs.

The RM100 procedure

RM100 was introduced in Statoil 01.01.2016 by Statoil's corporate risk team. It is available for employees through the organisation's intranet, and consists of seven different actions for the users to follow:

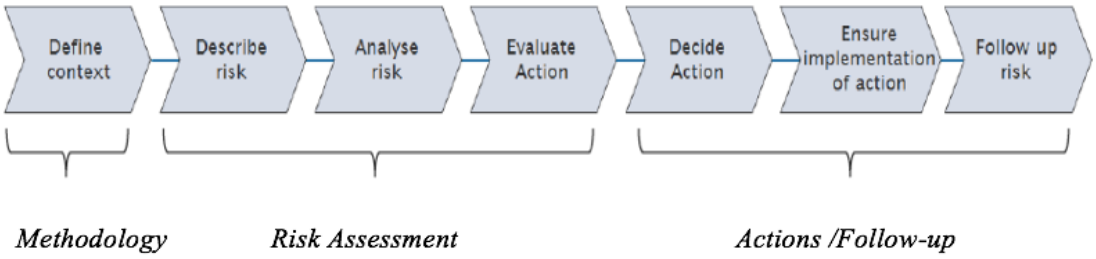

Figure 12: RM100 (Aven, 2016)

Define the context establishes what the risk is and who it potentially affects. This is usually done by following the requirements in FR08.

The three steps *describe risk, analyse risk* and *evaluate* action are part of the *risk assessment* process in RM100. In *Describe risk,* the aim is simply to identify what potentially can go wrong in the predefined situation. In regards to Statoil's definition of risk, this relates to detecting where the deviations from the specified reference value might occur. The user is instructed only to consider what is believed to be the most realistic deviations that could have value impact on Statoil's bottom line.

When the potential risk has been identified the user moves on to the action; *analyse risk.* Different probabilities, scenarios and potential value impact figures are applied in order to evaluate the situation at hand.

The final step in the *risk assessment* process is to *evaluate action.* Here, the user must consider the cost/benefit of the different measures needed to alter a potential risk. Statoil operates with a principle called “As Low As Reasonably Possible” (ALARP) which signals that taking risk has both a potential upside and downside to it. Hence, the company is prepared to expose itself to risk if adjusting the situation conflicts with what is considered to be reasonable.

The last three steps of the process cover the operative part of RM100. These are called *"decide action", "ensure implementation of action"* and *"follow-up risk*". The first two are about choosing and setting in motion the necessary actions considering the conclusions from RM100's previous steps. Lastly, RM100 requires an evaluation of the effects the actions have had on dealing with the risk in question. In cases where the visible results are not

deemed satisfactory, the user must conduct a review and re-do the steps that are believed to have affected the process negatively. Hence, the user does not necessarily need to carry out all seven steps all over again.

To make risk assessments comparable across projects, the standard RM100 procedure reviews projects over a 12-month period. In cases where projects have shorter time-perspectives, the user has the option of applying a modified and less detailed orientated version.

RM100 is primarily intended for asset owners performing ERM or for project managers who are about to conduct larger projects. However, the decision of whether to use RM100 or not is left to the individual employee that is in charge of the specific operation. The rule though is that RM100 should be applied in cases where a potential value impact on Statoil's bottom line can occur.

Although the predefined risk owner is accountable for carrying out RM100 when thought necessary, he or she is supported by discipline experts who provide advice throughout the process. In principle, the risk owner has the final say and therefore also has the power to defy the recommendations that have been given. However, this rarely happens as it is in the risk owner's best interest to follow the given advice. Top management would also require a good reason for doing so. Instead, Statoil's practice of holding the risk owner accountable for the process acts as part of the organisation's single point of accountability-principle. The point here is to avoid ambiguous situations where no one is held accountable. Hence, the principle is also a driving force in making sure that the correct risk assessments and precautions are taken.

5 Empirical findings

In this chapter, we present our empirical findings. They have been retrieved from interviews with Statoil employees which were conducted as part of this thesis' case-study. As explained in section 3.3 – *Sampling Technique,* our top-down approach has meant that we have used a dualistic approach when gathering data. In order to answer our overall research question, we chose to interview both members belonging to Statoil's corporate division (sections 5.1 & 5.2) as well as representatives from the employees who have been influenced by the two changes made to the management control system (sections 5.3 & 5.4).

5.1 Corporate View: MS Roadmap

The respondents in this part of our empirical findings represent Group 2: Two members of the corporate operational staff (See section 3.3 – The sample).

Increasing operational efficiency without comprising on safety

Our respondents from the corporate body of Statoil seem to agree on the intentions behind MS Roadmap. The main intention has been to increase efficiency in operations without affecting safety, and making the MCS more dynamic and less comprehensive, without affecting quality. Obviously, when speaking of efficiency one is also talking about cutting costs. With oil prices dropping in a high-cost industry like the oil & gas industry, reducing costs is important. Thus, MS Roadmap has been a large business case in terms of costs.

"We're talking a quite extreme business case. Small changes in unnecessary quality controls or involvement – we're talking about hundreds of millions when you scale this to the whole organisation"

Further, there is an important point to take into account when speaking of MS Roadmap. Our respondents talk about the intention of a cultural change. Interestingly, the room for latitude has always been there, according to our respondents – but the considerable focus on safety and standardisation has, over time, led to a culture where this latitude has been neglected.

"I think this change (MS ROADMAP) is a pure cultural project. It's not about 106 000 requirements or 40 000 requirements".

Move accountability closer to where value is created

Our interviews show that the removal of the process owner role reflected several intentions. First, it was a way of moving the accountability closer to where the value is created. By removing the process owner role, the line is now supposed to identify the processes that fit their operation. This was much harder before, as the process owners had a significant power in terms of being specialists.

"It is the people "out there" who take the consequence if a platform blows up, so these people must also be accountable for the choices that they make. There is no need for all the people involved in the decision-making process, there is too much unnecessary exchange of opinions"

"Statoil has a complex matrix organisation. You can even argue that it is not a matrix, as you have a third dimension with the process owners. It's within these power-struggles between the strong lines of discipline specialists and the line and central management that we have removed one instance. This can be positive and it can be negative, but the discipline related competence is still there, we have just reduced the power you have as a specialist."

Second, by moving the accountability closer to the line, the intention has been to re-establish The Execution Framework. According to our interviews, there has been a significant tendency in Statoil, and oil & gas in general, where the focus on manuals and standardisation of processes has reduced the use of sound judgement. Thus, the execution framework described in the Statoil Book has been shrinking. One of the main intentions behind the MS Roadmap has been to re-establish the use of sound judgement and to change the culture when thinking of this execution framework.

"It's about being very clear about where the responsibility lies. There has been a duality in this, as everyone has a responsibility to challenge if things don't make sense. This culture has been a dilemma all the way as we've had a lot of people whose task has been to observe and tell you how processes should be done".

"The process owner decided. They were not above the country manager in the matrix but they were above in terms of expertise, so the country manager just had to accept and receive. Of course, this made the process owner a very dominant corporate role where they sat and decided for everyone. So when you do this change, now it's the BAs who has the corporate responsibility for the suggestion. No one is forced to comply".

Our findings show that the COO-organisation was created to maintain the responsibility of driving improvement programmes, earlier held by process owners.

"Now we have a COO who can drive large across-the-firm programmes when there is a need".

Where Statoil earlier had one process owner per BA, the COO is now intended to think about standardisations that are sufficient for Statoil as a whole. This, again, aims to reduce the tension between specialists and the line, giving the line a larger autonomy.

"What's dangerous is when you get very powerful disciplines. Then the discipline become more important than the values created, leading to a conflict between the specialists and those who is trying to create the value in the line".

Further, our findings indicate that the COO is intended to maintain a degree of standardisation under these new circumstances where the line is given a larger autonomy.

"The COO drives improvement where it's wanted, but now with an accept from the BAs".

Reducing the number of Governing Documents

Each BA has been tasked to identify those governing documents relevant to them. The primary intention has been to increase efficiency in operations. Over time, governing documents has been added to make sure that Statoil operates in a similar manner in each country. This has led to a vast number of requirements but also recurrent deviations from these requirements, as they are not made to fit each country. By allowing each BA to identify those requirements and documents that are relevant to them, the intention has been to make it more understandable and efficient when operating.

"Its (i.e. the Management System) contributions in terms of effectivity was too low – which, in fact, was one of the original intentions behind the management system (increasing efficiency)".

"We had a management system that was seen as both rigid and slow. The MS had a lot of requirements and an inconsistent architecture. Deviations happened all the time, showing us that, in a lot of cases, the system didn't match the actual operation."

In addition to removing documents, a lot of the content has also been reviewed and made more concise. There seems to have been a lack of communication between those who made the documents and those using them.

"I think those who made the barriers did so with the best of intentions. It was often an underlying expectation that the barriers had to be interpreted and that they came with latitude, but more often than not, this was not exploited. Rather, the requirements were often read as absolute".

Our respondents agree that reducing the disconnect between those making the documents and those using them will lead to a more efficient use regarding understanding the documents, thus leading to fewer deviations. This, in addition to the reduction of governing documents, will make it less comprehensive to the user and incentivise users to work with, and understand, the documents – not only using them because one has to.

"We had 106 000 governing documents, but we had used too little time on making the users understand what's relevant to them and what the intention was. The result was that people in the line had too little capacity to work with this".

Lastly, our findings show that the rate of change is very high and the communication of change has been bad. Many changes that are made centrally never reach the persons implicated, according to our corporate respondents. The intention has been to allow those implicated to make the changes themselves, resulting in better implementation and understanding of changes.

"When leaders are engaged, we see that there is a good understanding of our MS, but when leaders don't engage we see that this is reflected in the units".

Design & Implementation

The MS Roadmap process started in late 2013. The first part was to establish the facts and build the business case. This was based on a wide range of information.

"We did an evaluation internally in all the BAs and asked how they experienced the management system. We looked at events, did user surveys and looked at what other companies were doing. This was all to create a more precise picture of the situation".

The business case was then presented to the board in order to get their acceptance. It was decided to try these changes as pilots on Statfjord and Mongstad.

"What we did at Statfjord and Mongstad was to go in and work with these assets to come up with a plan. We called this the "clean sheet approach". The thought was to tell the platforms: "If you were to build your own management system from scratch, how would this look? And further, if you were to design an efficient organisation, how would this look?".

According to our respondents, the concept of removing the process owner role was not an easy one to get accepted by the board. The process role had a very strong position in the organisation.

"They were sceptical to this as they were afraid to let too much loose. They told us that they believed in what we communicated and that this was the way to go, but wanted to test this through pilots".

After the pilots, the first step of MS Roadmap was to remove the process owner role, this was done in order to make it clear to the line that they had the accountability from now on.

"The first change that we did was to remove the process owner role. The process owner who is sitting in a centralised staff must be moved out and into the business areas responsible for the operations. We're not going to have a process owner who is sitting on the outside who has an opinion but who isn't listening to what the line needed. So what we did was to move this role over to the BAs in order to ensure that the responsibility was clear".

The accountability for the process of identifying relevant governing documents has been given to the country managers. This was decided by DPI. According to our respondents, this was a tough decision to make, but in the end, it is the country manager who is sitting with the legal liability, thus making it the most natural choice. Although the accountability lies with the country manager, the process involves support from the functions.

"Now, all country managers have accountability when deciding what governing documents and which processes that are relevant to them. That's the principle. But no one knows everything, so they have to use the functions. This is where such as SSU, people & leadership, finance & control comes into the picture, and they have a close dialogue with the country manager. They make some suggestions and the country manager decides whether to accept or not"

According to our respondents, workshops have been held together with the country managers for the different type of countries where Statoil operates.

"We've had workshops with the different type of countries. The countries where we only have a presence, where we have made investments and the countries where we are operational, together with country managers and together with functions. It's now very clear to them what kind of accountability they have".

The corporate view is that everyone is happy about this change in the management system.

"It's a relief, you know. To get rid of everything not relevant. It makes it easier for them to see what's important and what's not"

5.2 Corporate View: RM100

The respondents in is this part of our empirical findings represent **Group 1:** Three members from *the corporate risk team (See section 3.3 – **The sample)*.**

The intended RM100 users

The respondents from Statoil's corporate risk team expressed that they expected RM100 to primarily be directly used by project managers or other risk owners connected to production and operations, but with the support from discipline experts from the functions.

"Previously, corporate risk wanted procedures such as RM100 to be conducted by people doing enterprise risk management. These are people in an asset based entity…Now we have instructed the people who are in charge of the big projects to conduct the whole process as well. So it is not just for ERM any longer."

Having said that, they also explained how they expect country managers to be well aware of how RM100 works and also of the risk assessment procedures within their country. The following is a reflection of their role as leaders as well as the fact that they will be held legally responsible if anything goes wrong with Statoil's operations in their country. Furthermore, the respondents elaborated on how country managers often are expected to contribute directly to the RM100 procedure in certain areas as well. They must also use RM100 when developing bi-annual country risk map-evaluations for the corporate leadership.

Creating a more efficient procedure for risk management in Statoil

The respondents expressed that one of the main motivations behind the introduction of RM100 was to make risk management in Statoil a simpler and more concise procedure to conduct.

"Everyone in Statoil has worked with risk management at some point, and there have been a number of risk management processes in the MCS. Previously, we've had SF421 at the top level, which is quite similar to RM100. However, further down there have been as many as 113 different requirements, making risk management a far too heavy and complicated procedure to deal with".

In regards to this, the respondents explained how the organisation has aimed to gather the many different processes for risk management that existed into one procedure for everyone to follow. This makes it easier for employees to know where to turn to when there is a need for a risk management assessment.

Furthermore, the respondents explain how they have focused on cutting down on the number of requirements. RM100 now contains nine requirements spread over the seven steps that the procedure consists of. Three of them are generic, and six are connected specifically to Safety, Sustainability and Development (SSD).

The interviewees also explained that the far too detailed risk management procedure the organisation had before was partially a consequence of the low barriers that previously existed for introducing new requirements to the system. To ensure that RM100 remains simple and concise also in the future, the risk management procedure now requires a substantial amount of work before a new requirement can be implemented. Amongst other things, when someone from management wants to introduce a new requirement, they must communicate and implement it sufficiently for it to count.

"You can't just make a new process and implement it any longer…Now, one develops the governing document; one has to ask the potential users for feedback, you plan the implementation and the communication, you must support the implementation, and you have to complete the necessary implementation activities. So there's now quite a lot of work that needs to be done before you can press the implement-button".

Overall, the respondents highlighted that the underlying goal behind the RM100-project had been to make risk management in Statoil more efficient and engaging for the user.

"Making it more efficient for the user has been an important goal for us, and we believe the initial response indicates that we have been successful in doing so. The process is now at a level that people can actually relate to. There are now nine requirements in total…and this something people are able to learn. 100 requirements, even though people were working within a specific area, was too much to deal with".

Create a more standardised procedure for risk management reporting

The interviewees expressed that another important motivation for introducing RM100 was to create a more standardised procedure for risk assessments in the organisation. The respondents pointed out that this had been made possible because there now is only one procedure for risk assessments as opposed to the many that existed before. Furthermore, RM100 also contains standardised formats and scales for everyone to use when assessing risk.

One of the intentions behind the standardisation was to make life easier for those who read the risk assessment reports on a regular basis. According to the interviewees, it is now easier for those at the corporate leadership level, who look into many different risk assessments on a regular basis, to understand what is being reported. Previously they spent a substantial amount of time trying to interpret what the different reports that they had to read were trying to express. A standardised format avoids this problem. The respondents also stated that the standardisation has, for the same reason, made it easier communicate risk across the whole company.

"Previously, we had all sorts of formats for risk analysis…This took time and created complications. Therefore, when it is to be reported at a certain level, the format must be known by corporate leadership so that they don't have to spend time trying to understand the diagrams. This also makes it easier to compare with others, and creates a more efficient process".

The respondents also highlight that it is difficult to get dispensation from any of RM100's requirements, meaning that the users must follow procedures rigorously. This contributes to the standardisation of the reports.

"I own six of the requirements, and I will only give temporarily dispensation if there is a very good reason for doing so…We will not give any permanent dispensations unless legal requirements make it stricter for them".

One of the respondents admitted that trying to create a standardised procedure across an organisation operating in such a variety of countries and environments was a challenging process. However, she pointed out that whether the user is operating in Norway's offshore environment, dealing with oil sand in Canada or working in the cold climate of Russia, RM100 should be an adequate tool.

"In RM100, you have to define the context for every risk management process that you conduct…The first think you have to do in the risk management procedure is to understand the context and understand what you are going to manage...The users will be entering a variety of environments with different needs in regards to what you need to be attentive to…Our framework only gives instructions on which risks you should be thinking about regardless of where you are operating".

The design and Implementation process

The respondents explained how a group of nine people from the corporate risk team were responsible for both designing and implementing RM100. The aim was to create an optimal risk management procedure for the user, and when it was close to being finished, certain parts of the organisation were invited to give their feedback.

"A group of people, mainly from Statoil's corporate body from the SSU area were invited to contribute. So we had people from Safety, Security and Sustainability who were involved in the discussions. We also discussed things with previous process owners, because you have to discuss things with the discipline experts who designed the previous requirements before you remove them."

However, the team chose to stop at the corporate and former process owner level when asking for advice on the design; hence the employees whom RM100 was intended for were not included in the process.

"People in the functions and from the central team further down were not involved".

When the design process was finished, the team conducted a number of steps in order to make sure that RM100 was sufficiently implemented into the organisation.

"We conducted a stakeholder analysis based on the feedback sessions we had during the design process to decide how we should proceed in the implementation phase".

The respondents explained how the implementation was done through presentations to different leadership groups based on the stakeholder analysis that was conducted earlier.

"A lot of the presentations were done via video. But we also travelled around and presented it to several leadership groups. HMS has one leadership group; finance has one etc.…some

presentations have been chosen from our side, and some have been requested by the groups themselves.

They also focused on presenting it to the safety, security and sustainability group (SSU), who amongst other things act as a support function in all the operational parts of Statoil. However, the respondents also mentioned that they did not present RM100 directly to the country managers, nor to discipline experts outside of SSU who are not part of a leadership group. This means that they did not present directly to many of the intended RM100 users.

Instead, employees who received the presentation were obliged to pass on the knowledge to those they thought would need it. To help them in this process, the corporate risk team created an e-learning platform which could be passed on. The respondents state that this ensured that the knowledge was communicated sufficiently. Taking the e-learning course was on the whole not mandatory. However, the team communicated that they expected anyone working with risk to do so. By looking at numbers on who has taken the e-learning course, though, they could get a picture of how actively RM100 was being implemented across different parts of the organisation. On top of the e-learning platform, they have also offered to hold presentations on the subject for any part of the organisation that requests it.

The respondents vary slightly in their interpretation of how successful the implementation process has been. Two of them call it an unconditional success, stating that:

"Everything has gone as planned. What has gone better than planned is the number of people who have wanted us to come and hold courses on risk management and RM100. It has really been a very good process".

The last respondent from the corporate team agrees that it has gone very well, but also adds that it has varied to what extent RM100 has been passed on to others in the organisation beyond those who received the presentations.

"How strongly this has been prioritised has really depended on who sits at the top. Some business areas have had a very strong advocate for the the implementation of it. In these cases, we notice that it is known across many different departments with the business area".

They also explained that they try to communicate an open attitude towards feedback from the users:

"In the RM100 platform, one can enter improvement proposals. Someone from our team is required to answer the request within a certain amount of time".

Furthermore, the respondents underlined that they are still focusing on ensuring that the procedure is sufficiently implemented. Amongst other things, the e-learning platform is always available, and it is also still possible for any part of the organisation to request a presentation on the subject.

"Implementing something in a large organisation is a continuous process. One is never quite finished, although most of the work is done at the beginning of course".

5.3 User Interpretation: MS Roadmap

The respondents in is this part of our empirical findings represent Group 3: Four people from the function and Group 4: Five country managers (See section 3.3 – The sample).

Moving accountability closer to where the value is created

The respondents seem to agree that they now have more accountability compared to what was the case earlier, although the perceived level of change in accountability seems to vary between the respondents.

"Earlier, the accountability related to technical requirements and standards was with the process owners and chief engineers. Now it's a new responsibility for us, the country managers. Obviously, that's a huge responsibility, especially when you're not an engineer, like me"

"It's true (The accountability is larger now). But I think that we still felt pretty accountable for most of what happened in (...) already just because it was a bit different from what we were doing elsewhere within the Statoil organisation"

The rise in the interpretation of accountability seems to come from two factors. They are now accountable in a larger way when it comes to technical requirements and standards, with the removal of the process owners, but further, they are now accountable for more across the BA.

"(...)The Country Manager is responsible for everyone across the BA. Governmental contact, public relations, compliance and even visitors to the country, it doesn't matter who's coming, the country manager must say ok. I think this role is something that we have become more conscious about than before. Earlier, exploration sent people in and then the country manager heard about it afterwards".

A difference for the country managers is the ability to influence the bottom line in a larger way. Even though they were evaluated by and accountable for the bottom line in the country before MS Roadmap, the removal of the process owners has made a difference concerning what costs that are possible for them to influence.

"As a Country Manager, you have to think about affordability. "What can we afford to build?". It doesn't help when the engineer says that "this is the best solution" when you look at the result and conclude that we cannot afford it."

Execution Framework

Building on the above, the fact that it is now easier to influence the bottom line seems to imply that there is a larger execution framework. But, when asked about latitude, the response is somewhat mixed. Some of the respondents agree that there is a larger latitude now:

"I think so. I think that it is much more difficult for anyone now to say to us that you need to do this less efficiently for some reason".

Others are more reluctant, pointing to some areas with a larger latitude while others remain the same.

"It's always interesting seeing who has primacy, especially when there is a conflict. What's demanding is that we are being measured on very different things. I'm being measured on the fact that we need to be cash-flow positive on 40 dollars, and then a function arrives with a lot of good stuff that I'd like to have, but I see that this doesn't fit with the cash-flow positive requirement. Right now we are cash-flow positive with 50 dollars, which means that we have to reduce stuff. And then the function arrives telling me that they have been told this and that from their line. Then there's a discussion".

"Earlier, the PO could say "Sorry, I'm the PO, I decide". Now, this role is gone, but we still have chief engineers, and of course, these still have a lot of power in the organisation. There

is a two-way dialogue, so those who are technical people understand that there is financial economic reality in what we are doing. I think this has worked well. In other areas, where we're not necessarily talking about laws or technical requirements, here I feel that I have a rather large latitude in decision making".

In terms of latitude, our respondents seem to agree that even though they in principal have more latitude, they still have the function and the chief engineers in the picture. This does limit the actual latitude. What is new though, is that some point to the fact that they are now participating in those discussions, not just being told what to do from the PO's.

Interpretation of the support roles in the organisation

As our findings show, the perceived change in latitude is affected by the supporting roles. When asked about the new COO-function, some of our respondents point at the COO-organisation as very Norwegian, creating a disconnect.

"The problem with that organisation is that I have this odd feeling that it is very Norwegian. A lot of parts of Statoil are very Norwegian, Statoil is still a very Norwegian place. Everything in Norway is very simple, not very much risk. Your perception of high risk can be general, but when it comes to the project it is different. So you have to take this into consideration."

"(...)Then you have a COO-function. They are supposed to be the "effectivity-machine" in a company. Extremely difficult, if you ask me. It's very dependent on the people working there. Those people that Anders Opedal has brought with him, they know how to do this. Then he has a group that can get some stuff done, but it is an extremely difficult process to have this on the outside of the business, in a way. There will always be an element of something missing by not being on the pulse".

However, as is reflected in the comments about the ability to take part in the discussions, the country managers now feel that they have the possibility to speak up if the COO-organisation sends out something that doesn't make sense to them.

Reduction in the number of governing documents

Our findings show that although all of our respondents have reduced the amount of governing documents, their interpretation of how it has affected their work varies. Some think that fewer governing documents has increased effectivity:

"We had that flexibility, but it was more difficult to be able to get the needed flexibility to be efficient enough. We were stuck with a system where we had to fight in order to work in the way we want to. Now we have a lot more flexibility".

"(...)if we have had this process implemented now we would reach the same result much, much faster and spent much fewer man hours than we did 3-4 years ago".

Other respondents are more reluctant when it comes to whether the reduction in documents has led to change in how they operate.

"Of course it has simplified things in a way. We have reduced a number of requirements. But I'm not sure it all really means a lot. Because a lot of these requirements were never used before, they were just there. It was just a lot of mess, a lot of requirements that were never used, that were like, what is this? It was all nothing more than a process of cleaning up. So that was probably really the idea. So that we got back to something sensible. But the problem with as it was, was that people didn't really bother about it because too many things were not relevant. So now it's more relevant. But I don't think that for practical purposes that it has made much difference".

Some of the respondents agree on the notion that the documents that were removed never were used in the first place. However, most of our respondents answer that the reduction has led to a better understanding of those documents that they are left with.

"When thinking of the system as a whole, I think most people agree on the fact that the system had grown too large. How are you supposed to know the content of 3500 documents? I could stand there and say "I know them all" and "we comply with all of these documents", which created a false security, right?".

"I think we ended up with 150 requirements instead of 3000 or what the number was when we started. So that was a huge help".

Lack of communication between those making the documents and those using them

All of the respondents agree that it is now easier to adapt documents to local requirements. As our respondents are from DPI, we find that this has been one of the largest differences concerning the changes in governing documents. They all point to the fact that the documents always have been very Norwegian and thus difficult to adapt in another country. This is one of the most important factors for Country Managers, as they are responsible for compliance with local law. The process of adapting documents to local conditions is easier now after the recent changes.

"We now have no one telling us that we have to follow something. So TPD and Exploration have come up with a list of documents that they would like us to follow. However, we have to have our local representatives review those documents first before we can accept it. So we now have the opportunity to review documents and decide if they are relevant in (country) as opposed to before".

"It is very rare that the changes we propose are not accepted as long as we've done a risk-based approach and show that it is risk-based in relation to our context".

"Statoil used to have an idea of this very standardised and centralised model, and there are a lot of good elements to that. But that's become more nuanced and risk-based. And I think that that is overall positive".

Execution Framework

Our findings show that there is a dichotomy in regards to the governing documents and change in execution framework. As some of our respondents point out, a large number of the documents removed were never used. Thus, the removal does not necessarily change how they work. However, the reduction in itself leads to a more specific and tailor-made management system that is more flexible than earlier. Whether or not this in itself has led to a larger execution framework is difficult to assess. If execution framework is understood as the ability to deviate from requirements, then our respondents agree that there has been some change. If

the execution framework is to be understood as a cultural change, our respondents seem to be more reluctant and varied in their response. Some answer very "correct" when speaking of this.

"Regarding our latitude, there are requirements, and we follow them. To me, there's no problem. And then we have to acknowledge that the requirements in our governing documents are conditions that have been discussed and debated thoroughly, and thus is an answer to the risk evaluation of the operation that you are going to do. (...) And if it is irrelevant or stupid or silly, then it shouldn't have been there in the first place. And that is another discussion".

Some of our respondents find the requirements linked to some areas more important than other areas.

"Of course some areas have extra focus, security related requirements have a very large focus. Financial transactions, ethical compliance, anti-corruption etc., we always have a large focus on these".

One of the respondents point to functions such as Global Mobility, and the distance between Norway and the rest of the organisation as factors that minimize the actual change.

"I guess so (Being a larger execution framework). But there is still something I don't understand, and this is the organisation called Global Mobility. They are in a way more important for us in terms of rule setting, in practice at least. (..) It's almost like Norway in the 60s. Decision makers and systems like Global Mobility have to be very precise and systematic, but they also have to have some understanding that things are different. But, the acceptance for this is bigger now at least".

Design & Implementation

Our findings show that the process of identifying relevant documents has been a smooth process. Although, according to some of our respondents, it was a rather overwhelming task to begin with. Our respondents mention that they have been able to have their say in most of the process.

"I think the process has been ok. I have approached it in a pragmatic way. I think, in the beginning, it seemed very overwhelming because there was so much in the system. Thousands of governing documents and then we got the message that "ok, now you are accountable". (..)

I got a spreadsheet with thousands of documents and my reaction was something like "Okay, yes, when am I going to find time reading through all these?" But they did a very good job cleaning this from centrally, reducing the number by a rather large amount. I delegated to my team and asked everyone to go through the documents within their area, and the first question should be "Is this relevant for our country?".

However, there are some issues where the line has requested a deviation from a document without a result.

"We have operated with central requirements where we have had problems regarding our view. An example is the use of planes with one pilot for example, which is totally normal domestic routes. And then we have a requirement in Statoil stating that this is not allowed. We've had a process with our central air-safety people who have said no to us, making our lives much more difficult. So these are the kind of processes that we have with corporate".

5.4 User Interpretation: RM100

The respondents in this part of our empirical findings represent **Group 3:** Four *people from the function* and **Group 4:** Five *country managers (See section 3.3 –* ***The sample)*****.**

On their use of RM100

The country managers all expressed that they review the reports RM100 produces on a regular basis with the rest of their country management team. This is done to get an overview of the current risk picture.

"We go through this risk matrix every couple of weeks. We don't every two weeks go through all the seven steps, though. Often it's just to talk about where we are in the business and to do a cross check to whether the risk matrix is reflecting where we are in the business. But from time to time we'll take a deeper dive into that risk matrix and then that's more following those seven steps".

The reports are also used in an attempt to highlight which challenges face the country office in the future.

"We will always look at something outside of what we are looking at now that are important. Should we add more and new things, is there anything happening in our business that means that we should add a new risk to that picture, or is there something that is more or less clear that should be taken out of the risk picture so that we really make it a "leaping" tool for the business side. I think that is...for us, in such an office, this is the most useful way of using this tool".

Further, the country managers also expressed that aggregations of the reports from RM100 are used to develop the country's risk map. They are responsible for delivering this to Statoil's corporate leadership twice a year. Because a country risk map includes information on all of the unit's different operations, two of the respondents emphasise that the country managers have an important role in aligning everything that is being reported on. This requires a good overview of the country's risk management assessments.

"I formally sit within DPI, but we make sure that it covers NPR, exploration and the whole operation. So that's really my job to make sure that on a country-wide basis we are ensuring that we are covering the entirety of Statoil's operation".

All of the country managers emphasised that they are well aware of what the RM100 procedure consists of and how it works. However, it varies how involved they get in the RM100 procedures that other members of their country unit are responsible for producing. Where some only read and review the final outcomes of the reports to get a richer understanding of their country's risk picture, others choose to play a more active part in deciding what should be the focus points in the different risk assessments.

Two of the respondents expressed that they are quite active regarding defining what should be the focus points of the risk assessment procedures.

"We will go through every single risk in the risk matrix every quarter. We go through the risk radar and emerging issues and also make updates. And of course, this largely defines what will be focused upon by the rest of the management committee. At least for the risks, I decide to be directly involved in and take responsibility for. Other risks I might delegate so that others can focus upon those in their units".

"Although the team doesn't get involved in all of the seven steps day in and day out, when this whole product is reviewed and presented in the meeting, there is always conversation around

the context. Why is this so high? Why is this is so low? This is the context we're operating in; this is how things are etc.".

The respondent that expressed the highest degree of involvement had quite newly been redeployed. Through a previous role in Statoil's exploration and production team, she had played an important part in the creation process of RM100 by giving advice on how it should be designed.

"I am very active in this process, probably a bit too much. It may be because of my previous role; I don't know. But everyone is affected by their history, right…The foundation of the work will usually be done before I look at it, and that's ok. But I will typically get involved by asking questions such as: have you checked this, have you checked that, etc.".

However, one of the respondents explained that he is not concerned with how the reports are produced. Instead, he relies upon what he is provided with from and uses them for both managing risks as well as for producing the country risk map.

"You know, to be fairly honest. This is done by the finance and control manager. She is using this system of course. Personally, I use this more like a management tool. We have a lot of different types of risk. Everything from political risk, technical risk, risk for security, and all these things. Of course, she usually runs this as a preparation for all the meetings. Then she brings up this...typically every month we have a look at that risk matrix, and she brings up all that is on this map".

RM100's as an efficient procedure for risk assessments

One of corporate risk team's intentions behind introducing RM100 was to create a simpler and more efficient process for risk assessments. Generally speaking, the respondents expressed that they are positive to the effects that the new procedure has had so far. They believe that the procedure provides them with a clear and concise recipe for assessing risk.

"The procedure has become simpler and much more to the point. And the guide that comes with it, the one telling you what to do when has become much better. So it's been good! It's not all perfect, there is still room for improvement, but we are definitely moving in the right direction".

Two of the country managers also emphasised that it is now simpler to get an overview of the whole risk picture and therefore also to know which risks should be prioritised when.

"A more concise procedure makes it easier to know when things should be lifted further up in the system. We're more aware of when a something is marked red; it must be lifted. Previously, the impression was that everything was quite chaotic and unclear. Now things are more standardised and structured".

"For me, it helps to have some clarity of what the procedure looks like rather than sitting in a room thinking: What are our big risks? The steps are a useful way to the right conclusions on what we should prioritise".

Respondents representing functions in different countries also expressed that they see the benefits RM100 has had on the organisation. They believe RM100 contributes to making Statoil more capable of dealing with the risks that exist.

"I think everything has just become much simpler. Previously, we've had too much coordination of the coordinators".

"RM100 tells you exactly what needs to be taken into consideration when establishing the context. I would say that it helped our different risk assessment teams when establishing the context. Because in these environments they tend to think about the technical aspects, but they sometimes forget about local communities or other stakeholders or media or any stakeholder that kind of has the potential to impact risk is probably part of those guidelines. There is now a template for how to do that".

RM100's standardised reporting format

Both country managers and people from the functions expressed that they see many positive sides regarding the standardisation RM100 brings to risk assessment reports in Statoil. Amongst other things, when risk is to be communicated in such a diverse organisation and at so many different levels, they believe it to be beneficial that everyone agrees on certain formats for doing so.

"The biggest change for us is for everybody to understand that we operate under the same principles. We implement RM100 and the higher principles that you will define the context,

assess the risk etc. Everyone will have to do this wherever you are. And this is very easy to go with because it is a common sense process for anyone".

Furthermore, the respondents also stated that RM100's standardised reporting formats would probably make it easier for those in the corporate leadership to understand and assess the risks that are communicated from below.

"We understand that the Statoil board and the corporate leadership need a risk map they can relate to…RM100 simplified things on a certain level, on the corporate and business area level that is. This is a result of us all now applying the same formats. This wasn't the case before".

Although the respondents stated that RM100 brings a standard format for risk assessment, many indicated that the procedure is capable of catering for the many individual needs that exist in such a diverse organisation.

"Yes, I don't see any conflict in it all. You can ask many of the same questions but get very different answers, and that will again allow you to direct your focus to what you perceive to be the biggest risks".

"I've never felt that the system is in anyway restricting how we think about risk. So I don't feel like we need to think about risk in a particular process frame. It's more: what are the risks in the business and how do we best communicate that within the RM100 process. It is consistent with the size of impact and degree of risk and those sought of elements. So no, I don't see that the standardisation and the system limit our ability to bring up the correct risks".

They also expressed that they believe RM100 is relevant regardless of the country the user is operating in. Hence, it is able to cater for a variety of contexts.

"In a way, we have methods for addressing the different issues that appear in the different countries. And you'll get different answers in the different countries as well. And from that, you'll decide the different actions you need to take in order to manage risk. The base of the procedure is the same, though. The same questions dealing with the same issues in Russia and Tanzania, but of course, you have a completely different context in Russia than in Tanzania"

All of the respondents emphasise RM100's focus on standardisation also makes it easier to discuss and compare risk assessment across the organisation.

"But if you look at it as comparing, I'm sure that almost everyone is using the same kind of thinking now so that it is all fairly comparable. This is perhaps the most important thing…But if you are going to make a decision, and we see this a lot now, because now we discuss a lot like: Should we invest in Russia or should we invest in Brazil. Then of course risk is a part of it. So then being able to compare, and having the same kind of yardstick in a way, this really helps us. It helps us to be more systematic and better in comparing things. I think this is a very important improvement".

They also expressed that operating with comparable reports provides them with a better opportunity of discussing risk with employees in other parts of the organisation.

"We will probably now be looking at a better product and be more able to talk about it all with other entities within Statoil and communicate better with the corporate team in Norway. Because the tool is standardised we're now talking the same language which makes the risk communication much more fluid and clearer".

Although they all generally supported the standardisation RM100 brings, they also expressed concern regarding what would happen if the organisation become too reliant on standardised reports and scales when assessing risk. One country manager pointed out that the organisation could end up losing the necessary detail level when evaluating risk.

"You have to look at it in detail in all of this as well, though. And the devil is really in the detail here. And here you really need to look at the detail. And even that is very subjective. But for example, it looks like there is much less risk in Venezuela than in Russia. And if you look at that you start wondering whether one really can compare things in this way. So I think that is a big problem. And this is really some of the key challenges I think for making a system like this".

Others emphasised that operating with a standardised scale when comparing risk across the organisation could potentially lead to people miss-interpreting the underlying risk.

"Everyone needs to understand that it's very easy to misinterpret these tables and matrixes. If it's yellow or green, what does it actually mean? You see red in Russia and red in Brazil, but are they comparable? There is a need for qualitative input as well…To think you can calibrate by saying it is red or a 3,5, that's not enough. You have to dig deeper than that".

Instead, they argued that RM100 should be more concerned with highlighting the relevant risks across the organisation in a standardised format.

"That I can say that from my perspective the purpose of the risk matrix is basically to highlight particular issues. Whether it is described as a three or a four doesn't really make any difference, to be honest. It's just more a question of making sure that the risk is getting sufficient attention and action to deal with it".

One country manager pointed to another way that the standardised format can lead to the loss of a necessary detail level. He explained how RM100 forces the users to categorise risk in a way that sometimes loses touch with the reality of the situation that is being reported on.

"As soon as you introduce a risk element categorised as a safety risk, it goes to the top of the risk list. So I can have a traffic safety risk at the top because there's a risk of injury or loss of life involved. But most likely, something like that will never happen, especially after mitigation. Expats aren't allowed to drive cars etc. At the same time, though, I can be involved in a trial where I can lose hundreds of millions, but that will come way down on the risk list because issues such as traffic security go way above immediately. And then when I have to explain this to my boss or to in a DPI-setting, it all becomes such a waste of time. Why it's like that, I really don't know".

Design and implementation

The respondents shared mixed experiences regarding to what degree they had been allowed to voice their opinion regarding how RM100 should function and be designed.

Some of the respondents, both country managers and function representatives, expressed that they had been sufficiently included in the design processes leading up to the implementation.

"Yes, we've been involved in the discussions about how the procedure should look like and be used. We were allowed to voice our opinions, so I don't feel that this is something that has been pushed on to us. We are well aware of it and accept it all. But there were, of course, a lot of discussions, for example regarding if this should primarily be used by the project people or by the central risk team".

"A bit, yes. That was because corporate leadership initiated a project where we were to look at how to manage above ground non-technical risk. I was in charge of this project. We spent

a lot of time talking to other companies and organisations to see how they deal with non-technical above ground risk, and some of these learning points were included in RM100".

Others did not feel the same degree of involvement in the design process. They expressed that they had not been invited to contribute at all and knew little about it before their country office were told to implement it.

On the whole, the both the country managers and function people expressed that they understood why the corporate risk felt the need to implement a new procedure for risk assessments and that the rationales behind had been sufficiently communicated.

"For me, I think the most important reason was that our risk management procedure had become too much of an administrative task...We spent far too little time trying to understand the risks and on trying to agree how important the risks are and what we should focus on".

"Well, the implementation campaign made it very clear how this RM100 links to the FR08 risk management within the company. And to be honest the campaign was pretty…we do understand the protocol and the importance of managing risk as a business here. Repetition, people safety, business deliverables and the regulatory frame we're working in. The whole context we're working within makes us very aware of the importance of managing risk as a company. It's a survival question, it's part of the business".

However, one of the respondents who had not felt that he had been allowed to voice his opinions during the design process of RM100 and who also expressed that he did not see how the process had changed how risk is dealt with in the organisation, was not as sure about the intentions.

"I don't really know why. Perhaps they thought that it was necessary to have a fresh look at it. I don't really know what the perception is elsewhere. I don't know what a 40-year-old leader working in Stavanger is thinking about honestly speaking. I feel that where I am, in a manager group where I've been over the last 5-7 years, this is a constant concern…Most of the time, most of what we talk about is not about: we have to do this and this, or did you really worry about this and this. It is very much about the big and endless picture. And to organise these things and try to do the right things. Not to get overwhelmed by it all is really so important".

Although none of the respondents had received direct training from the corporate risk team, they all believed to have received sufficient information and training regarding how RM100 is to be used through other corporate risk team initiatives.

One of the country managers' expressed she had thought the procedure to be slightly confusing to begin with, fearing that this would be yet another complex and over detailed risk matrix. However, she thought it was easy to contact teams of the corporate to receive the necessary training. Furthermore, she believed her function representative from SSU was well informed and able to educate others around her if necessary.

A representative from the one of the function was enthusiastic in regards to how the corporate risk team have gone about making sure everyone receives the necessary information. Although there was no direct training from the corporate level, he expressed that the e-learning module had been more than adequate.

"And of course the corporate team has put together a very fine e-learning training package which we used earlier this year to roll out the procedure, that was very helpful. And we are in the process of figuring out the different detailed tools needed to make RM100 happen". – Canada, representative from the function

Finally, the country managers also expressed that they are content with the available support from discipline experts from the functions and see them as a useful resource available to them if necessary.

"There are no exact rules for how we should discuss the different topics in the risk matrix. It varies. So it's flexible whether you only do it with the management committee or if you include others in the discussion. We've also discussed that we should become even better to involve the discipline experts when necessary. The function experts who have the expertise and experience, right. So it should be ok to think that you can discuss things with the same group most of the time, and then occasionally you need to get the expert opinion in there as well".

6 Analysis

In this chapter we will conduct an analysis based on our empirical findings and the information presented in our background chapter. Building on this, we will firstly aim to provide answers to our two sub-questions:

1. *What influence does decreased formalisation have on how the users interpret the Management Control system?*

2. *What influence does increased formalisation have on how the users interpret the Management Control system?*

Drawing on conclusions from our sub-questions, we will attempt to answer our overall research question:

> *How does the introduction of two contradictory formalisations influence the users' interpretation of the Management Control System in an organisation?*

Malmi & Brown argue (2008) that the type and degree of formalisation is consistently an important and deciding factor for how the Management Control System (MCS) is interpreted. By applying Adler & Borys' (1996) framework, which argues that formalisations will be interpreted as either enabling or coercive depending on whether they promote a deskilling or usability logic, we will study how the introduction of two contradictory formalisations influences the users' interpretation of Statoil's MCS.

6.1 What influence does decreased formalisation have on how the users interpret the Management Control System?

When exploring how decreased formalisation influences the interpretation of the MCS, we study Statoil's introduction of MS Roadmap. We will firstly analyse how the corporate operational staff intended that the decreased formalisation should be interpreted, before looking at how the users interpreted it. By comparing the two, we aim to gain insight in which mechanisms influence the overall interpretation of the MCS.

The corporate operational team's intentions: MS Roadmap

Repair

Our findings show that one of the intentions behind MS Roadmap was to enlarge The Execution Framework. According to Adler & Borys (1996), managers who are afraid of deviations will implement a deskilling approach and design equipment *"..as to reduce the possibility of shirking"* (Adler & Borys, 1996, p.70). Our findings show that MS Roadmap, in some ways, is the result of Statoil acknowledging a minimised or even non-existent latitude as a result of a focus on standardisation and safety. Both governing documents and process owners can be seen as deskilling design unless implemented well. Especially, the process owner can be seen as a way for management to separate routine tasks from improvement tasks, which, according to Adler & Borys can be classified as a deskilling approach.

One of our findings shows that the management intended to allow for a more enabling approach when designing the new management system. According to Adler & Borys (1996), repair is one of the important features of enabling design. We find some distinctive features of MS Roadmap that can be characterised as a feature of enabling repair. First, the removal of process owners reduces the distinction between routine tasks and improvement tasks. As mentioned, the intention has been to give a larger degree of autonomy to the Business Areas (BAs), involving them in the decisions where the process owner used to have primacy. According to Adler & Borys, one effect of this will be that the users of the system, i.e., the BAs, will be able to take part in the "repair" of contingencies and thus increases their understanding of the system. This is in line with what Statoil's intentions were; increasing the efficiency as well as the understanding of the system.

Further, MS Roadmap is intended to be a better "fit" for each country, by allowing each BA in cooperation with the function, to identify documents relevant to them. According to Adler & Borys (1996), an enabling repair design should include *"..strong formal and informal incentives encouraging workers to identify and propose improvements in methods"* (Adler & Borys, 1996, p.71). The point is to have procedures that facilitate responses to real work contingencies.

Thus, we conclude that the intention of MS Roadmap is to move the management system in this direction - enabling repair.

Internal Transparency

One of Statoil's findings before MS Roadmap was that the understanding of the management system was very dependent on the local manager. As a result, engaging managers in MS Roadmap has been important. This has been done by making sure that each manager is well supported during the implementation process as well as by communicating best practices and success stories across the organisation. These are factors intended to make sure that the BAs not only implemented the changes but did so in the best possible manner. Our respondents emphasise the fact that MS Roadmap will lead to a better understanding of the documents used. This was one of the primary intentions behind MS roadmap. Understanding the system of which one is using is an example of an enabling feature when speaking of internal transparency. Thus, the focus on understanding governing documents will enable employees to use these as a tool rather than a "set of hurdles," (Adler & Borys, 1996).

In place of the process owners, the COO is now responsible for improvements across the BAs when needed. The intention has been to drive improvements on a higher level and leave the accountability for more specific improvements to the BAs. As opposed to earlier, all improvements from the COO shall now be done with acceptance from the BAs. Consistent with Adler & Borys (1996), making a larger part of the management system an interactive one for the BAs will increase their understanding of the system but also allow for a more efficient use of the system.

In addition, the different country managers are now allowed to identify and propose changes to the content of governing documents. Involving the users in the development process in this way leads to acceptance of the changes and facilitates internal transparency, according to Wouters & Wilderom (2008) and Glew et.al (1995).

We conclude that according to our respondents from corporate, MS Roadmap has some features that can be described as enabling when speaking of internal transparency.

Global Transparency

Though the changes in MS Roadmap are intentioned to enlarge the employees' knowledge of the management system, corporate is usually talking about knowledge of how the system fits the BA, and less about the broader picture – an important feature of enabling global transparency according to Adler & Borys (1996). The structure of MS Roadmap specifies that the line manager (country manager) is accountable for a restricted geographical area. Though this facilitates being in line with and knowing the common strategy of the firm, it also means that you do not necessarily have to focus on how the other countries operate.

We conclude that MS Roadmap, as intended by corporate, does not directly include any new usability features when speaking of global transparency.

Flexibility

The most important feature regarding flexibility is the process of identifying governing documents relevant to the BAs. By allowing this, MS Roadmap facilitates the BA to deviate from documents that do not make sense in their environment. Further, the MS Roadmap process intends to produce more tailor-made documents for the BAs, asking them to actively participate in creating new documents or changing existing ones when needed - this is in line with Adler & Borys' (1996) usability logic.

According to our interviews, corporate acknowledge that the existing management system led to too many deviations and was not flexible enough. The Norwegian way of operating was not necessarily the best way in another country. Acknowledging that deviations happen and seeing these as a chance to make improvements is a clear usability feature in regards to Adler & Borys' (1996) concept of flexibility.

Speaking of flexibility; removing the process role is a move that can be described as inherently enabling as the increased accountability is intentioned to come with a greater flexibility. However, the addition of the new COO-organisation does imply that there is a wish to keep some control and drive standardisations if needed. Our respondents highlight the fact that the COO-organisation shall only drive standardisations with acceptance from the BAs. Further, it is intended only to drive standardisations on a "higher level".

These changes make it easier for the employees to make deviations and changes to the system – important factors when speaking of enabling flexibility, according to Adler & Borys (1996). We conclude that the intentions of the MS Roadmap in regards to flexibility can be described as a usability approach concerning flexibility. MS Roadmap is intended to give the line an increased autonomy as well as facilitating changes in the system where it is needed.

Implications

In summary, we conclude that MS Roadmap is largely intended to make the management system more enabling. Both the removal of process owners and the reduction of the number of governing documents are designed to create a more flexible system for the users and ultimately lead to increased effectivity in operations. Further, we regard the intentions of making MS Roadmap a more understandable system as well as involving the users in the development process to be in line with what Adler & Borys (1996) refer to as an enabling features.

We conclude that the intentions behind MS Roadmap clearly emphasise enabling features. Further, we find that the degree of formalisation is intended to be as low as the individual operations and countries allow, thus, using the framework presented by Adler & Borys (1996), we conclude that the corporate intention was to create an organic type of organisation (see figure 13).

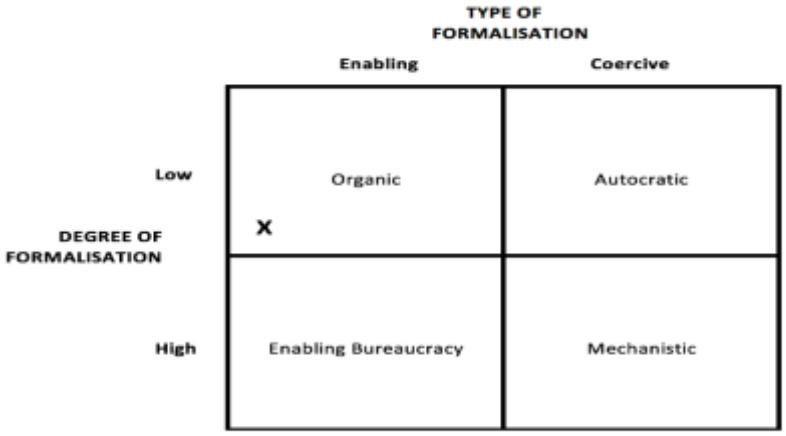

Figure 13: MS Roadmap – Corporate's intentions

The users' interpretation: MS Roadmap

Repair

We find that the country managers appreciate that they can make changes to the documents in order to suit their environment. In other words, they feel there is an opportunity to fix the system when there are contingencies – an important feature of enabling repair (Adler & Borys, 1996).

Our respondents tell us that the removal of the process owner role has allowed the country managers to participate in decisions about standardisations and influence these in a larger way than before. However, we also find that the COO position and the function do limit to what extent the country managers feel that they can influence decisions. Even though the country managers have primacy, they find themselves in situations where there are technical discussions, making it difficult to say no for those who do not have a technical background. But, what we find is that the country managers now feel that they can ask the function to come up with a cheaper solution or find a different solution. In other words, we conclude that MS Roadmap makes it easier for the users to influence the design of the procedures to make them fit the real work environment in which they work. According to Adler & Borys (1996), this is a feature of enabling repair.

All of our country managers agree that a lot of the procedures before MS Roadmap used to be very "Norwegian" (i.e. the documents are made from a Norwegian mind-set, meaning that they do not always fit the context in other countries). Now, they agree that it seems as one has acknowledged this fact, making it easier for the country managers to say no to standardisations or to change details in them to make them fit their country. However, even though this has become better, we find that the disconnect still exists. First, some of our respondents describe the COO organisation as "very Norwegian". Second, some of our respondents highlight that those who make procedures has "a lack of being present" and thus a lack of knowledge about conditions in the different countries abroad. This leads to procedures that do not fit the organisation.

Still, the country managers and the local functions agree that it is now easier to achieve acceptance for the changes that they propose, as long as it is a risk-based approach. Even though a lot of the standardisations still come across as "Norwegian", it is now easier to get

approval for changes proposed by the line. Thus, we conclude that the repair features of MS Roadmap are perceived as enabling by the users, but only to some extent. The support roles surrounding them still has a lot to say and can be categorised as a way to divide routine and repair tasks.

Internal Transparency

We find that the country managers appreciate that they were invited to take part in the process of reducing the number of governing documents. The fact that the users have been involved in the development process will according to Wouters & Wilderom (2008) and Glew et.al (1995) increase the likelihood of them interpreting the system as internally transparent.

Our respondents tell us that they find the documents more relevant now than what they used to. Thanks to the reduction, they no longer have to relate to a large number of irrelevant procedures and standards. Some of the managers tell us that the reduced documents were never used, but these still think that the reduction has made the system more relevant to them. As a result, they can now do some tasks much faster than earlier.

The process of identifying relevant documents was quite a demanding task to begin with, according to some of the country managers. However, they respond that the co-operation with the corporate operational staff has made the process simpler and smoother. Whenever a problem or question has come up, they have been put in contact with the correct people to guide them. Thus, we find that there has been good communication in the process. This is consistent with Adler & Borys (1996), who state that a usability design *should "...provide users with visibility into the processes they regulate by explicating its key components and by codifying best practice routines"* (Adler & Borys, 1996, p.72).

Further, we find that the process has been welcomed by the country managers. The disconnect between the governing documents and the actual environment in which those we have talked to are working in was indeed an irritation. They all feel, although to some different extent, that the system is more relevant now and easier to work with. Thus, we conclude that the country managers now have a better understanding of the system. These factors can be described as enabling in terms of internal transparency.

Global Transparency

All of our respondents seem to have an understanding of Statoil's strategy and how they fit in the organisation and thus how they contribute. However, we find that there is a difference in terms of knowledge of the broader organisation. Some of our respondents seemingly have a good understanding of how other countries operate, while others seem to have a narrow focus on the area of for they are is responsible.

Even though there are meetings where support roles and country managers attend, they are not necessarily intended to facilitate a broader knowledge of how other parts of the organisation operate.

We find that the knowledge about other areas of the organisation seem to be a result of whether the person has had other positions in Statoil earlier and his or hers own general interest on the matter, and less a result of the features introduced with MS Roadmap.

Flexibility

We find that the perceived flexibility when working with governing documents varies. Some see the documents as absolute, while others have a more nuanced view placing a larger emphasis on compliance with security and risk while being more lenient in regards to other types of documents. Further, some of our respondents state that it is much harder for anyone to demand that he or she do processes differently now, with the MS Roadmap.

At the same time, we find that the respondents appreciate the added accountability by removing the process owners. Though the perceived change in accountability differs between the respondents, they all agree that the removal has increased their flexibility as they now participate in discussions and have primacy in regards to what documents they use and what documents to deviate from. The fact that they now have their people verifying the proposed documents and choose whether or not to deviate from a document or not is in line with enabling flexibility. According to Adler & Borys (1996), this will lead to *"..the result that the engineers can now take short-cuts without resorting to workarounds"* (Adler & Borys, 1996, p.74) . This is confirmed by our respondents who emphasise that certain processes involving deviations now take much less time to approve.

However, even though the country managers have primacy in regards to governing documents with MS Roadmap, we find that there are still some deviations that are either very hard or

impossible to get approved. According to our respondents, the support roles sometimes enforces their role when the country manager wants to deviate to change the documents so that they "make more sense" in their environment. Examples include not being allowed to travel by plane unless there are two pilots in a country where all the main routes are operated by single-pilot planes and salary freezes in countries with high inflation.

Thus, we conclude that MS Roadmap has some enabling features in regards to flexibility. At the same time, there are still irritations in regards to the denial of certain deviations that does not make sense to the country managers. Still, our main finding when speaking of MS Roadmap and flexibility is that the managers feel that there now is larger acceptance for deviating – this is in-line with Adler & Borys' (1996) enabling flexibility feature.

Implications

We find that the country managers describe several features of MS Roadmap that we categorise as enabling. First, MS Roadmap has given the BAs the chance to be involved in a "clean-up" of the management system, which is also interpreted as an invitation to repair the system in the future. Further, the primacy to identify and decide whether a document is relevant now that the process role is gone can be described as an enabling flexibility. We also find that the changes have made the country managers more aware of the system in itself, thus enabling internal transparency. However, we do not find a lot of features specifically related to global transparency.

On the contrary, we find that some of the country managers feel that the enabling features are limited to some extent by supporting roles. This leads us to conclude that although enabling, there are situations where the primacy of country managers does not seem to apply. All in all, though, we argue that the country managers see MS Roadmap as enabling, but with certain limitations such as a very "Norwegian" COO-function and disconnect in regards to the adaptability to local environment – features that can be described as coercive.

In summary, we conclude that MS Roadmap is interpreted by our respondents as a "step in the right direction" in terms of enabling features. We argue further that this step is somehow limited by the perceived primacy of supporting roles in the organisation. Based on our findings, we can place the user interpretation in the framework presented by Adler & Borys (1996) (see *figure 14*). Coming from a system with a significant amount of coercive

formalisation, MS Roadmap is clearly a change towards an organic organisation. Our findings show that the degree of formalisation is interpreted as lower, although still present. Furthermore, the formalisation in place has several features interpreted as enabling. Lastly, we find that there still is a disconnect between supporting roles in the organisation and the BAs, thus, there are some features that we argue as coercive. Based on this, we place the user interpretation as borderline organic, close to being autocratic in terms of the type of formalisation and close to enabling bureaucracy in terms of the degree of formalisation.

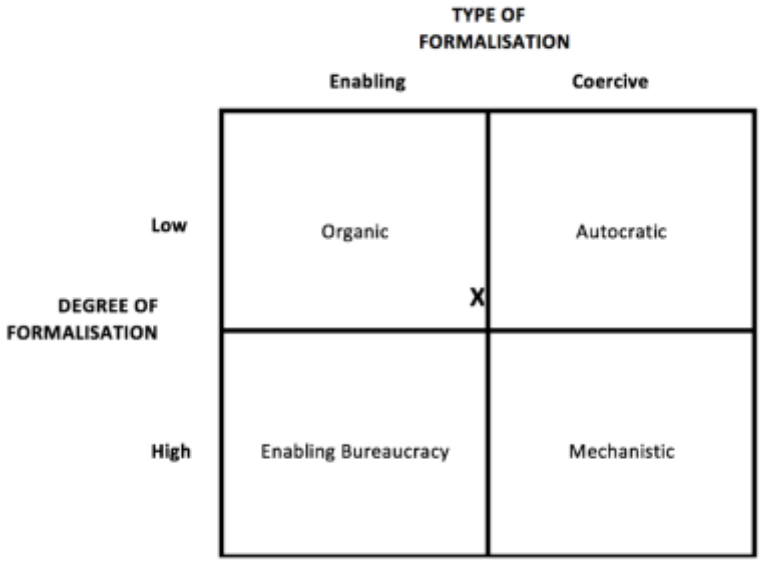

Figure 14: MS Roadmap – Users' interpretation

Comparison of the corporate's intentions and the users' interpretation

We find that the management's intention was to make the MCS more enabling. Even though our respondents agree that this has been a push in the right direction, we find that there are still features interpreted as coercive by some employees.

First, there is a distinction in terms of repair features. Although the country managers see the MS Roadmap as more enabling than earlier, the COO position and other support functions are still experienced as very "Norwegian". The country managers feel that they have more

accountability now than earlier, meaning that they are in a position where they can influence and decide which documents to use in a larger way. However, some mandatory standardisations and decisions from the COO and other supporting roles still feel very Norwegian to our respondents.

We find little distinction regarding internal transparency. All our respondents seem to agree that the system is easier to work with now and thus leads to a better understanding of the documents – one of the main intentions behind MS Roadmap. The fact that they were involved in the development process of the system is thought to have contributed to this interpretation.

Although some of the country managers seem to have some or even extensive global knowledge, we cannot link this to the features of MS Roadmap.

Lastly, we find a distinction concerning features of flexibility. Again, the COO role and other support functions creates irritation among some of the country managers. However, the removal of the process owner role has given the country managers a bigger latitude in terms of deviations, and we argue that this is a feature of enabling flexibility.

We find that the decreased formalisation, in this case, has both enabling and coercive features. First, we argue that enabling repair and flexibility lead to a larger execution framework. This is interpreted as a positive change by the country managers. However, in this case, supporting roles in the organisation limit the degree of the perceived latitude. Although the country managers see the people from the function as helpful, there is a certain degree of disconnect between these support roles and the country managers which lead to some coercive features.

Further, we argue that less formalisation can give rise to a larger internal transparency. Minimising the number of governing documents and at the same time allowing the BAs to change the content to "tailor-make" a system for each BA seems to have increased the internal transparency of the system in place, we find. This leads to a positive interpretation as the system incentivise a better "fit" and leads to fewer deviations.

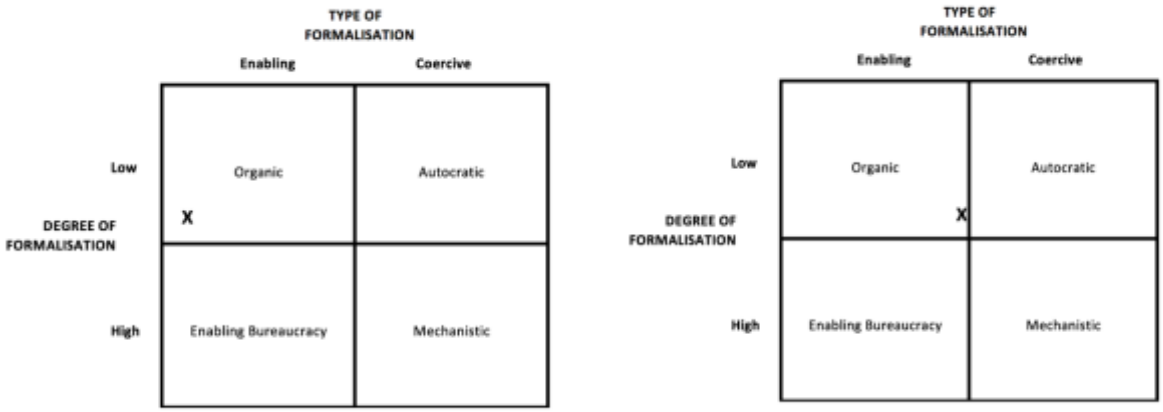

Figure 15: Ms Roadmap – Corporate's intentions vs. Users' interpretation

As pictured above (*figure 15)*, we find that the interpretation of the employees deviates somewhat from the intention of the management. First, the COO role is seen as more restrictive than originally intended. All of the employees regard the support roles in the organisation as very "Norwegian", and several point specifically to a lack of presence. As a result, certain situations lead to these roles being interpreted as coercive. Thus, leading to a deviation.

6.2 What influence does increased formalisation have on how the users interpret the Management Control System?

When exploring how increased formalisation influences the interpretation of the MCS, we study Statoil's introduction of RM100. We will firstly analyse how the corporate risk team intended that the increased formalisation should be interpreted, before looking at how it was interpreted by the users. By comparing the two, we aim to gain insight on which mechanisms influences the overall interpretation of the MCS.

The corporate risk team's intentions: RM100

Repair

The RM100 design implies that the user, namely the risk owner, is entirely responsible for conducting the necessary risk assessments. As the user has the final say in regards to what needs to be done, the initial design comes across as an autonomous process that adheres to Adler & Borys' (1996) enabling repair logic. Without further analysis, it looks as if the risk owner is faced with a procedure that enables him to deal with any contingencies and where he is in charge of taking the necessary steps to ensure that the risk assessment process goes as planned.

However, members of Statoil's corporate risk team also explained that users are well supported by discipline experts throughout the process, who provide advice when users are faced with technically advanced tasks. The respondents also expressed that when the users are provided with advice from the discipline experts, they should have a good reason for not following. A procedure where users are initially asked to both conduct the risk assessment process and also to be accountable for it, but where they are expected to engage discipline experts whenever a technically complicated issue appears, is representative for what Adler & Borys' (1996) define as a coercive deskilling approach. It would seem that RM100 users are assigned routine tasks that they are thought to be able to handle. However, when non-routine tasks that require a certain degree of technical competency appear, though, it is expected that the users call upon others for help.

Having said that, the whole practice is in many ways understandable as risk assessment procedures in a large international oil and gas company are likely to require substantial amounts of technical understanding. It is, therefore, crucial for the user to receive technical advice if he is not sufficiently trained in the specific field. In light of Adler & Borys' (1996) enabling repair logic, though, one might argue that Statoil should have created a process where the user has all the available tools to conduct the whole risk assessment regardless of any contingencies. Creating guidelines for every single risk assessment procedure could prove to be difficult for a company with such a diverse range of technically complicated procedures.

In regards to this part of RM100 alone, we argue that the corporate risk team has designed a procedure in-line with what Adler & Borys (1996) refer to as a coercive repair logic. When

faced with a non-routine technical issue, the user must call upon others to help them instead of having the necessary tools available to overcome the contingency by themselves.

Internal Transparency

Before RM100 was fully implemented in the organisation, the corporate risk team invited members from the corporate level within the SSU function as well as previous function owners to give feedback. Both Adler & Borys (1996) and Wouters & Wilderom (2008) state that involving employees in the development process is likely to generate a positive attitude towards the new procedure. This is linked to Adler & Borys' (1996) enabling internal transparency logic and implies that the corporate risk team provided those who were invited to give feedback with an understanding of the underlying theory of the process. However, by only including employees at the corporate level, the corporate risk team failed to involve those further down in the organisation who will be using who RM100. Adler & Borys (1996) do not go as far as saying that not giving employees insight into the development process applies to a coercive internal transparency logic. Having said that, the corporate risk team's actions figures as a missed opportunity to ensure that the actual users of RM100 have an underlying understanding of the rationales behind the procedure. According to Adler & Borys (1996), this would have contributed to enabling internal transparency. Hence, we argue that the corporate risk team should have invited those who will be using RM100 to the feedback session, rather than only focusing on members of Statoil's corporate body.

The same can be said for when the corporate risk team held presentations about the new procedure. By choosing to focus on presenting for different leadership groups, as well as to members of the SSU-function, they missed out on the opportunity to explain the underlying rationales behind RM100 directly to many of those who will be using it. Instead, those who did receive the presentation were obligated to pass on their knowledge to others. One could argue that the Statoil organisation is far too large for it to be possible for the corporate risk team to explain RM100 to each and every one of the potential users. Having said that, the respondents did admit that the degree in which RM100 has been passed on further down the system has depended on who is sitting at the top. Hence, the corporate risk team have not been able to ensure enabling internal transparency across the whole organisation through these presentations alone. All in all, we argue that the corporate risk team should have focused on presenting RM100 directly to those who will be using the procedure, rather than only focusing on leadership groups and members of the SSU-function. This would have contributed to

ensuring that the users receive an understanding of the underlying rationales behind the procedure and would be in line with Adler & Borys' (1996) concept of enabling internal transparency.

The corporate risk team did take some other measures to ensure that RM100 and the rationales behind it reached the potential users. First of all, they created an extensive e-learning platform which anyone who will be using RM100 is expected to use, both now and in the future. Secondly, we find that the corporate risk team has worked hard to signal that they are prepared to come and present the procedure to anyone who requires it, upon which they have received several requests. Furthermore, they have also communicated openness to feedback by, amongst other things, including a feedback option as part of the RM100 platform. These are all initiatives that are in line what Adler & Borys (1996) state will lead to enabling internal transparency.

Further, respondents from the corporate risk team described the measures they have taken to ensure that RM100 remains an internally transparent procedure in the future. This has been done by introducing strict rules for anyone from the corporate risk team wanting to add new requirements to the procedure. If desirable, anyone introducing a new requirement must put down a substantial amount of work for it to be accepted as part of RM 100. Not only is it mandatory that those potentially affected by the requirements are invited to give feedback, but several compulsory implementation activities must also be conducted. Involving the user in the design process through feedback sessions as well as focusing on a sufficient implementation process will, according to both Adler and Borys' (1996) and Wouters & Wilderom (2008), lead to an enabling internal transparency logic. It is likely that this initiative from the corporate risk team will ensure that users have the necessary understanding of the underlying theory behind any new requirements that are introduced to RM100 in the future.

In sum, we argue that the corporate risk team has clearly attempted to create enabling internal transparency through their different implementation initiatives. They are also aiming to keep it in this way in the future. However, we also claim that they should have concentrated some of their initial efforts even more so towards those who will be using RM100 instead of relying upon leadership and members of SSU to deliver the message. Having said that, it is important to keep in mind the context the corporate risk team operates in. Hence, reaching out to each and every RM100 user in such a large and diverse organisation is likely to be extremely challenging.

Global Transparency

Through RM100, the corporate risk team have put substantial effort into ensuring that risk assessments are always conducted through standardised formats. One of the motivations behind this was to make it simpler to communicate risk across the organisation by making risk assessment reports more comparable across its different divisions. This was intended to simplify the process of reading and assessing the outcome of the reports. However, we also argue that the standardised formats will make it easier for RM100-users to interact with others in the organisation as they are now all approaching the task of risk assessments in the same way. Whether it was the corporate risk team's direct intention or not, it has nonetheless made it possible for the users to actively interact with the broader system in which they are working within. This opens for discussion and cooperation across the organisation when conducting risk assessments and is in-line with what Ahrens & Chapman (2004) refer to as global enabling transparency.

Flexibility

Users of RM100 are obliged to perform seven steps and comply with nine absolute requirements. The corporate risk team has therefore introduced a substantially formalised approach to risk assessments in Statoil. Adler & Borys' (1996) two-dimensional framework overcomes the conventional assumption that formalisation is a necessary evil that must be reduced to achieve high motivation. Instead, the discussion should be based on the "type" of formalisation. Hence, the relevant discussion is how the procedure is formulated and not whether RM100's degree of formalisation is high or not.

We argue that RM100 is designed in a way that is aligned with what Adler & Borys (1996) refer to as coercive flexibility where detailed steps and little decision-making latitude prevail. At an overall level, employees are obligated to conduct RM100 in situations where they expect that Statoil's bottom line is at risk. They are required to follow the procedure's seven steps, to comply with the nine requirements and to report in the available standardised formats. This is formulated as an unconditional requisite by the corporate risk team. If the users want to deviate from any of the requirements, they must apply to what is referred to as the requirement's owner. According to the respondents from the corporate risk team, temporary dispensations are only given if there is a very good reason for it to be given. Permanent dispensations are only given if there are conflicting legal issues. Furthermore, the respondents from the corporate risk team also explained how the users must continue to conduct RM100 on the

specific project until they can present satisfactory results through the procedure's evaluation steps. In cases where the visible results are not acceptable, the user must conduct a review and re-do the steps that are believed to have affected the process negatively.

Implications

In regards to Adler & Borys' (1996) two-dimensional framework, we conclude that Statoil's corporate risk team have intended to introduce an enabling procedure with a high degree of formalisation. Adler & Borys' (1996) refer to this as enabling bureaucracy. However, as the mark in *figure 16* suggests, we argue also that RM100 should only be considered as boarder-line enabling.

We view RM100's design as one with many inherently coercive features. The procedure provides the users with little flexibility and requires discipline experts to involve themselves whenever a non-routine task appears. We therefore state that the actual design of RM100 is more concerned with forcing employee compliance than making employees feel facilitated or motivated by the rules and the systems in place.

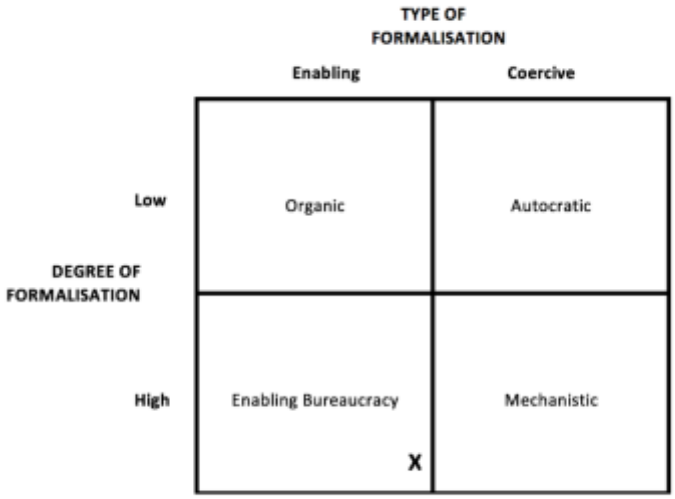

Figure 16: RM100 - Corporate's intentions

However, we also acknowledge that the corporate risk team have put substantial effort into ensuring that the rationales behind RM100 are internally transparent. According to both Adler & Borys (1996) and Wouters & Wilderom (2008), this is likely to create a positive feeling towards the procedure. We argue that if the corporate risk team is successful in

communicating and generating acceptance for why there is a need for such a detailed and restrictive procedure for risk assessments, the users are likely to be left feeling both enabled and motivated by it. Next to this, we also claim that RM100 will lead to global transparency in the organisation. Being able to interact with others in the organisation is likely to be both motivating and useful for the user when conducting the risk assessment procedure.

The users' interpretation: RM100

Repair

As mentioned, when users are faced with technically advanced procedures, they are provided with advice from discipline experts which the corporate risk team expects them to follow. We state that in a situation where the users feel obliged to off-set the process they are accountable for whenever a technically challenging issue appears, implies a coercive interpretation of the formalisation on this matter. According to Adler and Borys (1996), this will lead to an inefficient procedure in the long-run, which is the exact opposite of what Statoil's corporate risk team has stated they aim RM100 to be.

However, if the users perceive the discipline experts as a useful asset they freely can call upon when needed complies with Adler & Borys' (1996) enabling repair logic. In this situation, we argue that the discipline expert becomes a tool for the user so that they can ensure that the necessary risk assessments are conducted for both routine and non-routine tasks.

Our findings show that country managers are content with the support they receive from the discipline experts from the functions when dealing with RM100, and see them as a useful resource available to them if necessary. Hence, the discipline experts become tools that are obtainable for the user when met by technically advanced issues. We, therefore, argue that the users have an enabling interpretation of their ability to conduct the RM100 procedure. They are equipped with the necessary tools regardless tasks' complexity.

However, in light of our findings, we also argue that there are certain aspects to RM100 that the country managers and function people interpret as coercive in regards to Adler & Borys' (1996) repair feature. Although the respondents were in general positive to the standardised report format RM100 introduces, they also expressed concern that it will lead to risk being communicated at a detailed enough level. Adler & Borys (1996) argue that within a coercive

repair logic, managers interpret the existing formalisation in such a way that does not give them permission to modify procedures if they find it necessary. Because the respondents feel obliged to solely report within the standardised format instead of making what they believe to be the necessary alternation, we argue this aspect to RM100 facilitate a coercive repair logic.

To summarise, we argue that RM100 facilitates both an enabling and coercive interpretation from the user's perspective in regards to Adler & Borys' (1996) repair logic. The respondents express that they are provided with the necessary tools to deal with any contingencies. However, they also feel required to follow the predefined procedure even if they believe there exist more sufficient approaches.

Internal Transparency

Our findings show that both country managers and people from the functions were pleased with the information and training they received in regards to the implementation of RM100. Although none of them had been trained directly by the corporate risk team, they all expressed that the necessary information had been provided through other initiatives, such as the e-learning platform. Furthermore, one of the country managers also explained how easy it was for her to contact a member of the corporate risk team to receive further training. With this in mind, it is evident that the respondents are satisfied with the corporate risk team's efforts in regards to ensuring that they are all well informed. We argue that the users' feeling of being sufficiently educated in regards to how the new procedure works implies that they interpret RM100 as internally transparent.

As a testament to the corporate risk team's implementation efforts, the country managers expressed that they are well aware of how the procedure works. They all use it actively to get an overview of their specific country's risk pictures as well as for producing the country risk map that they must deliver bi-annually to the corporate leadership. In general, both the country managers and the people from the functions stated that they understood the rationales behind why the corporate risk felt the need to implement a new procedure for risk assessments. Amongst other things, they believe it has had a positive effect on the organisation by turning risk assessments into a concise procedure that consists of clear instructions for how to approach the task. Furthermore, all the respondents saw the benefits behind the corporate risk team's decision to make everyone use standardised formats when conducting RM100. At the same time, they also disputed the fact that this would limit their ability to use the procedure

within their country division and context. All of this supports an argument that the users interpret RM100 as internally transparent as it is evident that they both understand and feel comfortable with the procedure's underlying logic.

Our findings show that the degree it varies to which the country managers and the people from the functions were invited to give feedback on RM100 before it was fully implemented. One interesting outcome of our interviews, though, is that the respondent who expressed the highest degree of engagement in risk assessments beyond those they are responsible for producing themselves is also the person who was the most involved in the design process of RM100. Adler & Borys (1996) do not refer to the degree of which someone is involved beyond what is required as a sign of more or less internal transparency. However, it is nonetheless evidence of the benefits both Adler & Borys (1996) and Wouters & Wilderom (2008) claim that insight in the development process is likely to have.

Global Transparency

Our findings show that both country managers and people from the functions are appreciative of the fact that RM100 has made it easier to communicate risk across the organisation. The respondents expressed that the introduction of standardised formats and principles has made everyone more able to discuss and compare risk with other country divisions. RM100 has in other words provided the users with a useful opportunity to interact with the broader organisation and environment. We, therefore, argue that the users interpret RM100 as enabling in regards to what Ahrens & Chapman (2004) refer to as global transparency.

Flexibility

Our findings imply that both country managers and people from the functions regard RM100 to be a mandatory procedure consisting of detailed steps, requirements and reporting formats that users are obligated to follow all the way. Furthermore, the respondents expressed that they view it as a concise procedure that tells the users exactly what needs to be done when assessing risk. We, therefore, argue that the users interpret RM100 as coercive in regards to Adler & Borys' (1996) flexibility feature. The procedure consists of a detailed sequence of steps and minimises the reliance on the user's skills.

Implications

In regards to Adler & Borys' (1996) two-dimensional framework, we conclude that the users interpret RM100 as an enabling procedure with a high degree of formalisation. Adler & Borys (1996) refer to this as enabling bureaucracy. However, as *figure 17* indicates, we argue that the users regard RM100 to be a boarder-line enabling procedure.

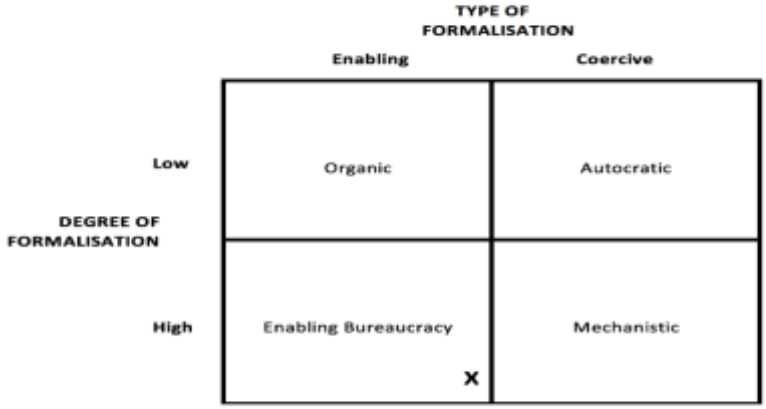

Figure 17: RM100 - Users' interpretation

According to our analysis, the users interpret RM100 to be designed in a way that focuses on assuring the corporate risk team that the necessary measures are taken when assessing risk. It is a procedure with little degree of flexibility and where the users are also encouraged to stick to its detailed steps rather than designing their own methods. However, our findings also imply that the corporate risk team have been able to generate a positive attitude from the users towards the procedure. This has been done by communicating the rationales behind RM100's design, through ensuring that the users are comfortable with using it and by making sure they have the necessary tools available to them when conducting the procedure. The fact that the procedure is thought of as globally transparent is also a contributing factor. Furthermore, we also argue that the observed effect would have been even more noticeable if the corporate risk team had involved the users in the procedure's design phase to a greater extent. In sum, we conclude that even though the users register RM100's deskilling features, they also believe that it enables them to conduct risk assessments with the necessary level of detail and precision. They are therefore also supportive of the procedure's coercive features.

Comparison of the corporate risk team's intentions and the users' interpretation

Our analysis implies that RM100 is both intended and interpreted as a coercively designed procedure that gives the corporate risk team necessary control over the organisation's risk assessment procedures. However, we also argue that the corporate risk team's implementation efforts have secured enabling internally transparency. The following has resulted in a situation where the users both understand and support the procedure's underlying logic, and furthermore, its coercive features.

We find that the corporate risk team has intended to limit the user's repair opportunities by introducing discipline experts who intervene when a non-routine task emerges. However, in the case of the users, the discipline experts are regarded as a useful tool that helps them to deal with any contingencies. This is evidence of how RM100's enabling internal transparency has generated acceptance for the procedure's deskilling nature.

In regards to Adler & Borys' (1996) global transparency feature, we find no differences in the corporate risk team's intentions and the user's interpretation. Enabling discussion and cooperation across the organisation contributes to the users' positive attitude towards the procedure.

By way of summary, we argue that the underlying features of the increased formalisation that RM100 represents has contributed to an enabling interpretation of Statoil's MCS. As *figure 18* implies, it is also evident that the users interpret the procedure in the same way as it was intended by the corporate risk team. There is little doubt that RM100 is a procedure with a high degree of formalisation and many coercive features. However, both the intended and interpreted internal and global transparency has generated the necessary support for RM100 as a procedure that enables the user to generate risk assessments in an appropriate fashion.

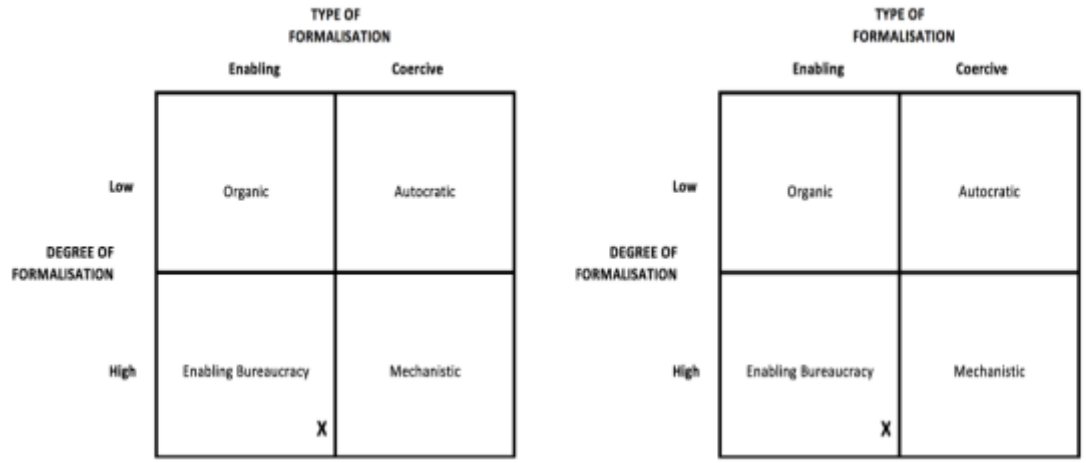

Figure 18: RM100 – Corporate's intentions vs. Users' interpretation

6.3 How does the introduction of two contradictory formalisations influence the users' interpretation of the Management Control System in an organisation?

So far we have discussed how the introduction of MS Roadmap and RM100 have influenced the interpretation of Statoil's Management Control System (MCS). Where the former represents an increase in formalisation, the latter, in contrast, represents a decrease. In this section, we will draw upon our learnings so far in order to answer our overall research question.

In total, we find that how the introduction of two contradictory formalisations influences the users' interpretation of the MCS depends on their inherent features. If designed in a way that promotes a usability approach, the MCS will be interpreted as enabling. If the opposite is true, the MCS will be interpreted as coercive and deskilling. This is in line with Adler & Borys' (1996) framework which argues that it is not the degree of formalisation that influences how employees interpret the MCS, but the distinctive features of how rules and procedures are

designed and implemented. Hence, we argue the MCS can be interpreted as both enabling and coercive regardless of how many rules and instructions that exist in the organisation

Of the generic features that Adler & Borys (1996) promote will influence whether formalisation is interpreted as enabling or coercive, our findings suggest that the degree to which users experience internal transparency is of particular importance. Specifically, for our case study, this has made a substantial contribution to the overall enabling interpretation of MS Roadmap and RM100. In both cases, the fact that the users understand the underlying logic behind why the formalisations are designed as they are has led to the them accepting and supporting some of its more coercive features. To achieve internal transparency, there has generally been an emphasis on introducing efficient and concise formalisations that the users find simple to use. Further, the different corporate teams have worked hard to ensure that the users understand the underlying logic of the formalisations. This has been accomplished through a thorough implementation process that has focused on sufficient communication with the users and on providing them with extensive support. Also, where involving employees in the development process has contributed to the users interpreting MS Roadmap as internally transparent, it is highlighted as something that the corporate risk team should have ensured to a greater extent in regards to RM100. This is in line with findings of Wouters & Wilderom (2008) and Glew et.al (1995)

Different interpretation of support roles

In situations where enabling internal transparency is present, our findings suggest that increased and decreased formalisation can lead to different interpretations of the support roles that exist within an organisation. In our second sub-question, we concluded that enabling internal transparency has led to the users both accepting and supporting RM100's deskilling features. They believe that the many rules and instructions that exist enable them to conduct risk assessments with a necessary detail level and precision. In this case, discipline experts are seen as a useful tool that helps the employees to comply with the procedure. Thus, when users understand and agree with the underlying logic for why there is a need for extensive rules and instructions, our findings imply that they interpret the support roles as a positive feature that helps them to comply with the procedure.

However, in the case of MS Roadmap the supporting roles are not exclusively interpreted as an enabling function. In our first sub-question, we argued that the users saw the formalisation

as enabling internal transparency. Hence, they understood and agreed with the new system's intentions of giving them increased decision-making latitude in order to increase efficiency. In this case though, the support roles represent a dichotomy where the users, on the one hand, feel that corporate have wanted to increase their freedom but have, at the same time, restricted it through introducing the support roles. Specifically, we find that the perceived decision-making latitude is indeed larger, but the effect becomes reduced in situations where the support roles influence decisions in a way that conflict with the users' opinions.

This is an interesting observation as the support roles in this case have, in theory, the same function regarding primacy and involvement in both RM100 and MS Roadmap. We, therefore, argue that the difference in impact on the users' interpretation is, in this case, a result of the degree of formalisation. This provides the users agreed with the underlying rationales behind the degree of formalisation in the first place. When the formalisation degree is high, the supporting roles are seen as a tool that helps the users to comply with the introduced formalisations. In the case of the opposite, we find that the support roles are often seen as a disturbing factor that limits the increased latitude that originally followed with the reduction in rules and instructions.

7 Conclusion

This chapter firstly presents a summary of the thesis. Further, we point to some of the study's limitations as well as providing suggestions for future research. Finally, because the topic of this thesis is based on a request from Statoil, we conduct an extensive review of the implications we believe our findings will have specifically for the organisation.

7.1 Summary

This thesis contributes to literature with a case-study on the multinational corporation, Statoil. It therefore also adds a practical approach to Adler & Borys' (1996) framework as called for by Ahrens & Chapman (2004). Further, by looking at the introduction of two contradictory formalisations to Statoil's MCS, it contributes with a study of how organisations can implement different degrees of formalisation at the same time, as requested by Wouters & Wilderom (2008).

This thesis has focused on answering the following research question:

How does the introduction of two contradictory formalisations influences the users' interpretation of the Management Control System?

In order to do so, we have looked at how the introduction of decreased and increased formalisation influences the users' interpretation of the Management Control System (MCS).

Our findings indicate that they both lead to an enabling interpretation where the users are motivated by the rules and regulations that are in place, providing that their inherent features facilitate a usability approach. We therefore also find support for Alder & Borys' (1996) framework which states that it is the design and implementation of the formalisation and not the degree of the formalisation that is the deciding factor for how the users view the formalisations in place.

To facilitate a usability approach, there should be a focus on designing and implementing the formalisations so that they adhere to Adler & Borys' (1996) generic features of enabling repair, internal and global transparency and flexibility. Of the four, our findings highlight enabling internal transparency as the most influential quality. This is because an understanding of the

underlying rationales seems to generate support for the formalisation as a whole. It can therefore create acceptance for the existence of coercive features as well. Involving employees in the development process is highlighted as a factor that has the ability to increase users' interpretation of enabling internal transparency.

Our study does point towards one area where the degree of formalisation has been a decisive factor for how the MCS is interpreted. We find that if there exists a high degree of formalisation, and the users deem this as necessary when performing their line of work, they are also positive to having support people who help them to achieve compliance with the many rules and instructions that exist. However, if there exists a low degree of formalisation and the users believe this to be the best solution, the support roles are seen as a feature that interferes with the decision-making latitude that exists when there are few prevailing rules and instructions.

The study has had a top-down approach, meaning that we have looked at the introduction of the new formalisations from the corporate division's perspective. Hence, we have throughout the study focused on how the users have interpreted corporate's intentions behind the introduced formalisations.

7.2 Limitations of the study and suggestions for future research

Some interesting suggestions for further research have come up while writing this thesis. First of all, it is worth keeping in mind the limited scope that our study is based upon due to restrictions on time and resources. Hence, we believe that it would be interesting to interview more employees in a greater number of organisations so that it is possible to infer more about this topic.

Our study has been conducted in an international context, as the employees that we interviewed were based in different countries. This is emphasised by some of our respondents who use terms such as "Norwegian" and "disconnected" to describe features of the MCS. Though we have sought to analyse this through the framework presented by Adler & Borys (1996), we acknowledge that factors such as culture, distance and other implications of working in an international setting has not been taken into account. An interesting topic for

future research would be to consider how the influence of the MCS is influenced by an international context.

In *section 2.2*, we refer to other factors that researchers highlight may have attitudinal effect on how employees interpret formalisations in a MCS such as goal congruence between management and employees, asymmetries in power, absence of "reality-check" and management's handling of performance indicators (Adler & Borys, 1996; Jordan & Messner, 2012; March, 1994; Wouters & Wilderom, 2008). Considering that our study has been confined to Adler & Borys' four generic and the role of involvement, it would be interesting to conduct further research on how these other features influence users' interpretation of the MCS.

We have looked at formalisation in the management control system and how it influences user interpretation. Another suggestion we have for future research is to conduct a quantitative analysis looking at how increased and decreased formalisation affect the bottom line. Amongst other things, it would be interesting to look at what type of formalisation is most beneficial to apply in a cost-reduction setting.

This study has focused on an organisation that has newly introduced two formalisations. It has therefore paid a lot of attention to how the implementation procedures have generated an enabling interpretation. It would be interesting to conduct a study of the same organisation over time in order to research what needs to be done in order to facilitate an enabling interpretation also in the future.

Finally, Adler & Borys (1996) highlight the need for further research on the roles of staffs in regards to formalisation. One of our findings is that different degrees of formalisation can lead to different interpretations of the support roles in an organisation. We therefore agree with Adler & Borys by arguing that it would be interesting to look at how roles such as HR and discipline experts can be introduced in a way that preserves an enabling interpretation of the MCS.

7.3 Implications for Statoil

In total, we recommend Statoil to review the empirical findings, analysis and conclusions that we provide through this thesis. However, in this section we wish to remark upon some of the implications we believe that our findings have specifically for Statoil.

MS Roadmap:

First of all, our respondents seem to appreciate the change that MS Roadmap has brought. Further, although some saw the it as quite overwhelming to begin with, the implementation seems to have been well supported so far. However, we find some challenges and opportunities that should be approached.

We find that reducing the amount of documents combined with the ability to "tailor-make" the content of certain documents increases the internal transparency of the system. The implication for Statoil is that that the employees now have a better overview of the governing documents. Although they did not use all of the documents before MS Roadmap, it is easier to know the content of 100 documents than 1500 documents. This is sure to be a driver of efficiency. However, we cannot as of now conclude whether or not the changes in the actual content of the documents will drive efficiency – it is too early in the process. What kind of changes in content are impacting effectivity the most? This question should be monitored closely by Statoil and will hopefully lead to best-practices and cases that can be communicated across the organisation.

Further, all of the country managers explain that they experience, to different extents, the COO-organisation and other support roles as disconnected. The fact that we have only conducted with international country managers is sure to be a catalyst for this finding. However, this implies that there still is work to do in terms of communication and global transparency. There are cases where the country managers feel that there is a disconnect between what the support roles and country managers are being measured on, leading to unnecessary complications and inefficiency.

Through our interviews we find evidence of a cultural change in regards to the execution framework, although just to some extent. The country managers state that they feel a larger accountability now. Especially, we find that the removal of process owners has increased the

country managers' ability to influence the bottom line. Our respondents tell us that they can demand cheaper or more efficient solutions as opposed to earlier when the process owners had primacy. However, we find that there is a challenge in terms of support roles and giving a larger accountability to the managers. In some cases, managers tell us that support roles such as the COO-organisation or HR tend to not have the full picture, thus making life harder for the country managers. This is in relation to the disconnect that we have mentioned earlier. The difficulty for Statoil is to balance the autonomous features of MS Roadmap with the "control" features of supporting roles. We find that, although the situation is better now than before, this is a field where Statoil still can improve.

Note: When we wrote this thesis, MS Roadmap's implementation process was yet to be completed. Thus, our findings are based on the process so far.

RM 100:

Overall, we find that there exists a supportive attitude towards RM100. It is viewed as a useful tool that enables the employees to deal with risk management with the necessary detail level and precision.

The positive feedback is largely due to the extensive implementation efforts conducted by the corporate risk team which has led to a situation where the users both support and understand the underlying logic behind the procedure. Having said that, from a theoretical point of view, we urge Statoil to reconsider the top-down approach it has applied when implementing RM100 where they have relied upon on managers to educate their employees. According to theory, they should have used a more direct style to ensure that the users of RM100 are sufficiently educated on the subject. Although we recognise the difficulty of doing this in an organisation of Statoil's size, one should always seek to communicate as directly as possible as this, in most cases, will lead to a greater understanding and acceptance of the underlying concepts.

Furthermore, the users also expressed that they are appreciate of the support available to them from discipline experts when conducting the risk assessments. They see them as useful tools that help them to comply with the rules and instructions that exist. Furthermore, the users expressed that they believe risk assessments has become a more efficient and concise procedure through the introduction of RM100. The standardised risk formats also make it more

possible to communicate with others in the organisation about risk, something they appreciate.

Having said that, we find that the users see certain challenges in terms of the scales that are used for measuring risk in the procedure. The country managers fear that the risk assessments will lose the necessary level of detail when applying scores to the different risks that exist. Specifically, they are concerned with what will happen if risk assessments are solely based on the scores themselves and not the reasoning that lies behind them. Instead, they believe that the scoring system should only be used as a point of discussion rather than as the overall measurement of risk. The following can be problematic for the corporate leadership who rely upon the scores that are reported to them and not the surrounding discussions.

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9 Appendix

Interview guide

Introduction

1. A presentation of interviewers

a. A presentation of us, NHH and the FOCUS-project
b. An introduction of the topic of our thesis

2. Information about the interview
    a. Anonymous, time frame, the use of a recorders
    b. We will be asking about their experiences and opinions regarding RM100 and the recent structural changes that have been made.
    c. The interview is divided into three parts: RM100, about the structural changes and around the international context.

3. Interviewee presents himself/herself
    a. Role, function and responsibilities in Statoil, numbers of years on the job
    b. Role of interviewees department

Part 1: RM100

1. Implementation
    a. How were risk procedures managed in your area of work before RM100 was introduced?
    b. Describe how RM100 was implemented in your department?
    c. Did you have the chance to influence the design of RM100?

2. Use
    a. What do you like and dislike about using RM100? Does it comply with how you personally would want to deal with risk at Statoil?
    b. What is the common opinion of RM100 in your department?
    c. Has the introduction of RM100 improved the way Statoil manages risk? Why/Why not?

3. About the formalisation

a. When applying RM100, if you or your subordinates find something that doesn't comply with the requirements, what does the process tell you to do? Fix it and move on or report to management and sit still?
b. Why do you think management changed how risk is managed in Statoil? Did you and your colleagues feel the need for a change to happen?
c. Does RM100 allow for necessary contextual alterations to the process? What is management's view one this?

Part 2: The Structural Change – MS Roadmap

1. Implementation
   a. How were the structural changes implemented by management?
   b. Did you have a say in what way the structural changes should be made?

2. Use
   a. How has your mandate altered since the structural change?
   b. What are the pros and cons of your new situation compared to before?
   c. Which control system features limit your mandate? (targets, procedures, rules etc.) How does this affect your work?

   d. How does your increased autonomy correspond with the standardisation that the implementation of RM100 represents?

3. About the formalisation
   a. What mandate do you have should you find anything wrong within your own department? (machine breakdowns, people who aren't doing their jobs, the need for new equipment, wrong strategic focus etc.)
   b. Why do you think they made the structural changes? Did you and your colleagues feel the need for a change to happen?

c. Is it encouraged by management to cooperate with other business areas on issues that are both related and not directly related to your business area? How do they facilitate this?
d. To what degree can you now deviate from the instructions you have from your superiors if you find it necessary?

List of figures