

**BUDGETING, AND BEYOND:
ESSAYS ON CONTEMPORARY MANAGEMENT CONTROL**

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Dissertation Submitted to the
Department of Accounting, Auditing and Law
NHH – Norwegian School of Economics
for the Degree of Ph.D.

June 2021

Dedicated to Elisabeth, Celine Madelén, David Nathaniel, and Emily Victoria

I promise to be more present in the future

ACKNOWLEDGMENTS

Writing a PhD dissertation is both a struggle and a privilege. Many people have made this dissertation possible. First, and foremost, I would like to extend my greatest appreciation for the support offered to me by my main supervisor, Katarina Kaarbøe. Without you, this dissertation would never have come to fruition. Thank you for believing in me when I dug myself into the abyss of accounting research, and for guiding me through the ups and downs of writing a PhD thesis. Also, thank you for collaborating with me on one of the research papers in the dissertation. Further, I would like to thank my co-supervisor, Sven Modell, for challenging me every step of the way and for pushing me to be critical and diligent. I am also grateful to my other co-supervisor, Daniel Johanson. I appreciate our conceptual discussions and our collaboration in writing. I have had an all-Swedish advisory committee and despite what is said about Swedes, I must confess you are great people.

This research project has benefitted greatly from being part of the ACTION research project. Members of the ACTION research group (past and present) have provided me with intellectual curiosity and stimuli that have advanced me as a scholar. The funding provided through the project has enabled me to collect data in interesting organizations as well as travelling to conferences where I have received invaluable feedback on my ongoing work. I would also like to thank every interviewee that participated in my research.

I would like to thank my esteemed colleagues at in the Department of Accounting, Auditing and Law at NHH. Maren Dale-Raknes, thank you for always finding good solutions in the harrowing bureaucracy of a research and teaching institution. Trond Bjørnenak, thank you for always meeting me with a smile, for being a role model in teaching, and for the support you offered during your years as head of the department. Anita, thank you for all the laughs we have had over the years, and for the academic collaboration early on in my life as a PhD scholar.

Finally, many thanks to my fellow PhD research scholars at the department: Joel Berge, Shrey Nishchal, and Kasper Vagle. A special thanks goes to Grete Helle and Dan-Richard Knudsen for the endless discussions about everything and nothing. Thank you for providing high quality comments on ongoing projects, for late night office banter, and priceless companionship on travels and conferences. Without you, the experience would simply not have been the same, and I look forward to working with you in the future.

I would also like to thank the many accounting scholars (both emerging and established) I have come to know through doctoral courses and academic conferences across the world. There are too many to name, so I will limit myself to one: Linn Gevoll Lunde, thank you for the friendship and professional collaboration we have developed over the years. Even though we live far apart, we have met at courses, conferences, workshops, and mini research stays. Thank you for co-writing one of the papers in this dissertation with me, and for making courses and conferences enjoyable social activities as well.

Furthermore, I would like to thank my new colleagues at BI Norwegian Business School, and particularly Head of Department, Ingunn Myrtveit, and Campus Director, Elisabeth A. Seim. Thank you for cheering me on in the final stages of the dissertation work. Finally, I would be remiss if I did not mention Mads Nordmo Arnestad. You are the reason I started a PhD, and you are the reason I stayed in academia. Who would have thought that sharing a room in Boston for a 12-week entrepreneurship program would lead to a (presumable) life-long friendship, an irreplaceable professional relationship, and a few start-ups? Let us never stop exploring.

To my mother, Anne Berit, and my father, Knut-Johan, thank you for always being there for me, for believing in me, and for giving me a safe upbringing. To my sister and brother, Camilla, and Casper, thank you for your support. Thanks to my mother-in-law for your endless assistance and care when I am working (and away). I am always confident that the children are

well taken care of when you step in. Thanks to my friends, Even, Simon, and Kristoffer, for keeping me grounded and never giving up on me joining you for a round of golf.

My children, Celine Madelén, David Nathaniel, and Emily Victoria – thank you for your unconditional love and affection. You show me that there are important things outside of work, that we should always be curious, and never stop asking questions.

Last, but certainly the most important, I would like to thank my wife, Elisabeth. My soulmate and partner in crime. I am forever grateful for your endless faith in me and understanding during these years. I simply could not have done this without you. Thank you for doing what I should have done when I was away, and for being there for me when I was home. Your devotion to our family is admirable, and I look forward to a time where neither of us are writing a PhD. Although the last years have been rough, I am proud of what we achieve together. Drawing and building a house, raising a family, and crushing it as pedagogical geniuses we can only be described as a power couple to be reckoned with. I am eager to see what the future holds for us.

Christian Andvik
Bergen, June 2021

CONTENTS

INTRODUCTORY CHAPTER	7
CHAPTER I	23
CHAPTER II	83
CHAPTER III.....	124

INTRODUCTORY CHAPTER

1. Introduction

Historically, organizations are frequently thought to be concerned with the maximization of profits and value, and the corresponding efficiency concerns regarding optimization of resources introduce agency costs and the need for management control (Jensen & Meckling, 1976). With agency theory as the prevailing foundation for analytical budgeting and control models within an economic research tradition, management accounting researchers have studied incentives, contracts, and alternative budget practices (Covaleski et al., 2003). The sociological research tradition has been more concerned with the influence of budgeting on decision-making and political processes within organizations (Covaleski et al., 2003). Common for most of the budgeting research in the past is the interest in handling uncertainty and directing effort toward the goals of the owner or organization.

Criticisms towards budgeting as a useful control mechanism abound (Bunce et al., 1995; Hope & Fraser, 2003; Wallander, 1999). Although the problems of budgeting appear to be commonly recognized (e.g., Hansen et al., 2003), the solutions are not. According to Otley (2006), organizations either acknowledge budgetary limitations and continue to use them, adapt their budgetary practices to changing environments and improve them, or attempt to radically change (or disregard) budgeting altogether. The most radical approach has come to be known as Beyond Budgeting (BB). Although many organizations find budgets to be flawed, most firms continue to use them, albeit in altered configurations (Libby & Lindsay, 2010).

The central topic in this doctoral dissertation is efforts to improve budgeting and management control in contemporary organizations. Although the setting in the empirical papers is organizations inspired by the BB philosophy, the dissertation seeks to take a wider look at budgeting practices overall, challenges with changing budgeting practices, as well as the design implications for contemporary management control.

1.1. Background

I have chosen the topic of dynamic management control for several reasons. First, I wrote my master thesis on Beyond Budgeting¹ and was inspired to do more research in general, and on BB and contemporary management control in particular. Second, although the literature on budgeting and the behavioral problems it brings about is vast (Covaleski et al., 2003) and deep-rooted (Argyris, 1952, 1953; Caplan, 1966), much is yet to be learned about how organizations deal with human interaction, autonomy, efficiency, flexibility, and control. Studying organizations that are experimenting with novel approaches to management control seemed an opportunity too good to pass up.

1.2. Structure of the Doctoral Dissertation

As part of a broad research project on contemporary management control and budgeting, the dissertation contains three articles that cover different aspects of the subject matter. Chapter 1 is a literature review seeking to bring together two diverging streams of research. Chapter 2 develops the concept of hope in changing management control practices, whereas Chapter 3 investigates the design and use of enabling control in a Beyond Budgeting setting.

The overarching research question this dissertation seeks to answer is:

What are the consequences of various (non-)budgeting initiatives for research, management control practice, and management accountants?

In turn, this research theme guides the three interrelated research papers that set out to answer:

- (1) What are the problems and proposed solutions with budgeting and management control, and how may budgeting research be further advanced as a unified research area?

¹ Published as SNF-report 06/12: Beyond Budgeting and ownership – A qualitative study of how a modern control system creates ownership towards strategic goals.

- (2) How can hope be further conceptualized and understood in the context of changing management control practice, and what role does hope play for management accountants in reframing ideals and sustaining action?
- (3) How do managers and employees make sense of control elements with enabling design characteristics?

As the dissertation sets out to explore how different views on budgeting lead to different practices of management control and system configurations, the thesis is anchored in budgeting as a central component of management control. Still, the investigations of wildly diverging practices, and the broad scope of the thesis, lead the research through an assortment of theoretical fields such as theology, pastoral psychology, and self-management. The excursion through such a diverse set of theories plays a part in describing and understanding the plethora of consequences resulting from different budgeting and management control initiatives.

1.3. Structure of the Introductory Chapter

In the next section of this introductory chapter, I provide some contextual structure to the dissertation by offering an overview of the literature that inspired this research. In section 3, I present the methodological foundations and choices for the papers in the dissertation, before section 4 briefly presents and discusses the articles. Finally, the three papers are appended in their entirety, and together with this first introductory chapter constitute the full dissertation.

2. Methodological Foundations and Choices

Doing qualitative accounting research in an interpretivist tradition implicates some ontological assumptions about reality consisting of context-dependent social constructs (Ahrens & Chapman, 2006). Even though the ontological position suggests a subjective and socially constructed reality, the social and economic concerns are intricately intertwined (Granovetter, 1985; Modell, 2020), which leads this dissertation to adopt a pragmatic interpretive

methodological approach. The approach views management control as part of an organization that is affecting and affected by, the social context within which it is situated (Burchell et al., 1980). Kakkuri-Knuuttila et al. (2008) refer to this as interpretive research “straddling between paradigms”, including both subjectivist and objectivist features where both the emic and etic perspective helps construct meaning about social practice (Lukka & Modell, 2010).

The dissertation consists of three papers: one mixed method literature review, and two case studies. The literature review seeks to identify similarities and differences in budgeting and Beyond Budgeting research to bring the two literatures closer together for conceptual clarity. The first empirical paper is a conceptual modeling of hope in accounting, and the case is used to empirically illustrate the arguments put forward in the conceptual development. Finally, the last paper is an empirical investigation of the operationalization of self-management in a bank. This study is oriented towards the individual actors in the organization and their use and perceptions of control elements that are intended to be enabling.

3. Presentation and Discussion of the Articles in this Thesis

In this section, I provide a brief overview of the three articles included in this dissertation. Because each of the three papers speaks for itself, only a brief summary of each paper is presented. Further, supplementary clarifications identify the linkages between the articles to offer a theoretically and thematically coherent argumentation for how various (non)budgeting initiatives have consequences for contemporary management control practice.

3.1. Article 1: Budgeting, and Beyond – Towards a Theoretical Foundation for Beyond Budgeting Research

As novel budgeting and management accounting techniques and philosophies, such as Zero-base budgeting (ZBB), Activity-based budgeting (ABB), and Beyond Budgeting (BB) make their introduction into practice and academia, most of the academic discourse is concerned with

the perceived problems with traditional budgeting (Bunce et al., 1995; Hansen et al., 2003; Hope & Fraser, 2003). The focus is on the inefficiencies and irrelevance of budgeting, and the *new* concept highlights how it is different from traditional budgeting (TB), without necessarily reflecting on previous research into similar issues (Covaleski et al., 2003). Consequently, as a research area, BB is vague and ambiguous. There is no clear definition of what BB actually is, except that it is (purportedly) different from traditional budgeting (Nguyen et al., 2018).

To date, BB research lacks conceptual clarity due to the confusing tenets of BB and lack of historical situation within a broader research area of budgeting and management control. Research in the nexus between traditional budgeting and BB is hindered due to the desire to distance BB from budgeting. Thus, the first paper in this dissertation aims to situate the investigation of (non-)budget initiatives in a long history of budgeting and management control research, well beyond the scope employed by budget critics and BB propagators, by conducting a systematic literature review of all budgeting research over the last half-century.

As most BB research is concerned with the dissimilarities to budgeting (e.g., Hope & Fraser, 2003; Wallander, 1995), this paper departs from a more pragmatic point of view, where research on novel management accounting techniques and philosophies is grounded in the wider historical context of budgeting research, which is arguably one of the most central areas of research within management control over the last century (Covaleski et al., 2003). The behavioral issues in budgeting date back to the mid-20th century when Argyris (1952, 1953) set out to study the role of budgets for human behavior and vice versa.

With the review going back a little over 50 years, only a limited number of top academic journals in accounting existed² at the outset of this review period. Considering the low number of academic accounting journals 50 years back, the review thus includes most academic

² In fact, only five of the journals included in this literature review existed in 1968 (to which the search dates back), and *The Accounting Review* is the only journal that is older than 65 years.

research on budgeting that is easily accessible by searching in large databases. This mixed-method literature review primarily employs the Scopus³ database to analyze a large amount of peer-reviewed accounting literature concerning the behavioral aspects of budgeting practice.

The paper sets out to address the following research question:

What are the problems and proposed solutions with budgeting and management control, and how may budgeting research be further advanced as a unified research area?

The review identifies both behavioral and coordination problems with budgeting. Specifically, the review uncovers the importance of facilitating thoughtful exchanges of ideas in organizations seeking to improve their control practices and facilitate participation and decentralization. The review concludes that rather than seeking out *the one* perfect solution, organizations should seek to identify the control practices that work for their context, structure, and employees. This opens up for research on what happens in organizations where change initiatives fail to materialize according to plan, which is dealt with in the two empirical papers.

3.2. Article 2: Dealing with Setbacks – The Role of Hope in Changing Management Control Practice

The second paper in my thesis develops the concept of hope in the accounting literature and explains how management control change proceeds, despite numerous setbacks. The article seeks to answer two research questions:

First, how can hope be further conceptualized and understood in the context of changing management control practice? And second, what role does hope play for management accountants in reframing ideals and sustaining action?

The paper develops a conceptual model of hope to demonstrate how management control

³ www.scopus.com is the largest abstract and citation database of peer-reviewed literature.

change unfolds and influences the practices of accountants. The conceptual model is then applied to an illustrative empirical case. The empirical part of the paper addresses a major organizational change aimed at increasing management accounting relevance and the development of new control practices in MailCo. The change contains a promise of revitalizing management control practice in the organization, specifically the role of accountants as future-oriented business partners in value-creating activities.

The change initiative was based on ideas from the Beyond Budgeting (BB) philosophy (Hope & Fraser, 2003; Wallander, 1999), where the ideal⁴ is to manage organizations and organizational actors on different parameters, with less (to no) emphasis on annual budgets. Continuous setbacks in MailCo's efforts to change its control practices do not stop the organization from moving forward, even when they fail to achieve what they set out to do.

We contribute to the literature on hope and its relationship to control practices (Catasús et al., 2016; Mouritsen & Kreiner, 2016), especially regarding the introduction of new management control models, by providing a theoretical model and an empirical illustration of how management accountants in MailCo create hope for themselves and the rest of the organization, even as they realize that the transformation is not unfolding according to plan.

In addition, our findings provide new insights into the management control practice literature (Becker, 2014; Becker et al., 2020; Goretzki et al., 2013; Henttu-Aho, 2016) by showing how the concept of hope relates to organizational transformation and new control practices. Unsuccessful attempts at changing institutionalized practices do not necessarily result in reinforcement of the old practices, instead, mechanisms of hope drive the change initiative forward, if only incrementally so. Hope is an instrumental feature of resilient change initiatives,

⁴ According to Merriam-Webster (n.d.), an ideal is a standard of perfection and “something that one hopes or intends to accomplish”. An idea can be a synonym to an ideal, but ideas are also defined as “plans for action”. The conception of “ideal-types of management” dates back to Max Weber (1958) and the early 20th century.

and through forgiveness and forgetfulness (Mouritsen & Kreiner, 2016) learning and action contribute to the survival of the ideal.

3.3. Article 3: Enabling Whom? – The Design and Use of Enabling Control

The final article in the dissertation investigates the design and use of enabling control elements in a highly decentralized organization. The research question we proceed to answer is:

How do managers and employees make sense of control elements with enabling design characteristics?

Our research provides evidence of situations in which the proposed decentralization of responsibility and empowerment of employees is rejected, as some employees are indeed satisfied with “stricter” and less flexible boundary conditions. Not all employees (even though they qualify as “knowledge workers”) have a desire to become (self-)leaders of any sort, and many express that self-management requires more work. Rather, the employees in our study find safety and clarity in knowing *ex-ante* what is expected of them, with the added benefit of relying on others (i.e., managers) for improvement work and strategic thinking.

We contribute to the debate on enabling controls (e.g., Ahrens & Chapman, 2004; Cuganesan & Free, 2020; Jordan & Messner, 2012; O’Grady, 2019; Wouters & Wilderom, 2008) by illustrating how enabling design characteristics may be perceived as coercive at an employee level.

Further, we demonstrate how insights from the organization literature may inform management accounting. To our knowledge, Van der Kolk et al. (2020) is the only other empirical paper studying the operationalization of self-management and control. Similar to previous studies of self-managed teams (e.g., Barker, 1993), we find that individual self-management enterprises may lead to feelings of tighter control and less flexibility in task execution.

3.4. Summary of the Thesis

	<i>Paper 1</i>	<i>Paper 2</i>	<i>Paper 3</i>
<i>Purpose</i>	Identify common themes around issues with budgeting and corresponding proposed solutions, from a Beyond Budgeting (BB) perspective, to assist in providing a theoretical foundation for BB research as part of the wider traditional budgeting (TB) literature.	Develop the concept of hope in accounting, and explain how management control change proceeds, despite numerous setbacks.	Study the design and use of enabling controls in a radically decentralized organizational setting.
<i>Research Question</i>	What are the problems and proposed solutions with budgeting and management control, and how may budgeting research be further advanced as a unified research area?	1. How can hope be further conceptualized and understood in the context of changing management control practice? 2. What role does hope play for management accountants in reframing ideals and sustaining action?	How do managers and employees make sense of control elements with enabling design characteristics?
<i>Method</i>	Mixed method literature review	Conceptual paper with empirical illustrations	Case study
<i>Findings</i>	BB is part of wider budgeting research, and rather than distancing itself from TB, it should draw on extant literature to improve budgeting in contemporary organizations.	Hope drives organizational transformation and new control practices. Hope is an instrumental feature of resilient change initiatives and contributes to the survival of ideals.	Enabling controls may, in certain circumstances, be perceived as coercive. Swings between coercive and enabling may co-exist across individuals and hierarchical levels simultaneously.
<i>Contribution</i>	Merging BB and TB research will improve the theoretical foundation for BB research. Acknowledging previous attempts to deal with budgetary problems will leave BB researchers with promising avenues for further research, such as the study of hindsight in performance evaluation.	Provide a theoretical model for understanding change and the generativity of hope as an emotion of elation. Hope enables the imaginations of a better future, and management accountants can drive changes forward as agents of hope.	We contribute to the enabling/coercive literature by providing evidence of an organization that decentralizes control beyond the managerial level and distributes control elements to employees at an individual level.

The first article showed us that efforts to improve budgeting are plentiful but that the correct way to balance autonomy and control eludes both managers and researchers. Attempts to change control practices include radical decentralization, empowerment, and increased participation. Although participation is proven to reduce slack (e.g., Fisher et al., 2000), the ways to succeed with participation are still unknown. There is evidence that, for instance,

participation, job involvement, and organizational commitment are correlated, but what are the boundaries of participation?

The third paper in this dissertation investigates an extreme case of participation, where employees are supposed to be self-managed and thus participating in managerial activities previously reserved for middle management. This is one example of research into how budgeting alternatives work (or fail) in contemporary organizations that are experimenting with new approaches to performance management and control.

The second paper in this dissertation investigated the role of hope and the importance of emotions of elation in bringing about radical change in organizations. Although change is desired, setbacks occur, and the generative powers of hope allow change initiatives to move forward, even though ambitions are not immediately met. This helps explain how novel control practices are initiated and revised, via the adroit participation of hopeful change agents.

4. What Have We Learned?

This final section of the introductory chapter briefly connects the dots between the three papers, addresses the key takeaways from the thesis overall, and ultimately lifts the discussion to a more general level for management control researchers and practitioners alike to highlight what we can learn from the research project in general.

The dissertation argues (Paper 1) that even though Beyond Budgeting (BB) is often distanced from traditional budgeting (TB) research, it is clearly a part of the same general discourse, especially when it comes to the study of control and behavior. When theorizing BB, we find that there is little novelty in what BB addresses but that BB, like TB, is chiefly concerned with the development of alternative management and control mechanisms in complex organizations and uncertain contexts.

Because of the lack of novelty, one might be tempted to ask whether BB is merely a futile attempt at rebranding old ideas, but the second paper in this thesis shows that is not the case. Uncertainty and ambiguity lead efforts to change control practices to be difficult and challenging. Attempts to improve control practices are often set back in their development and implementation. Uncertainty creates space for organizational actors to make promises about the future (Mouritsen & Kreiner, 2016) that appeal to the imagination of their colleagues (Carlsen et al., 2011). The envisioning of a better future creates hope, and the generative power of hope (Ludema et al., 1997) helps to drive change initiatives forward. In that regard, BB has been fairly successful in creating space for contemporary organizations to experiment with novel control practices. Even though the practitioner discourse often departs from criticism of traditional budgeting, BB propagators should acknowledge that the BB philosophy is only able to exist in the space created by the ambiguity and incompleteness in control practices. Busco and Quattrone (2018) discussed how the search for perfection is prompted and sustained by ambiguity and incompleteness, and we illustrate the role of hope in this ongoing search, even when failure is looming.

After recognizing the intricacies of control change at an organizational level, the third paper in this dissertation introduces a fresh empirical phenomenon to the control literature, namely self-management. The improvement of control systems and practices is mostly studied at an organizational level but in this paper, we investigated the consequences of taking BB seriously and decentralizing decision making as well as performance measurement and control to individual employees. The paper seeks to improve our understanding of how self-management is operationalized in practice, and whether it is truly possible to design enabling controls. Enabling design characteristics are perceived differently at the managerial and operational levels of the case organization, and we illustrate how organizational actors make sense of enabling control across organizational levels.

Overall, the dissertation is rooted in the wider behavioral budgeting and control literature, where efforts to deal with uncertainty and ambiguity (e.g., March, 1987; Quattrone, 2017) are discussed. Novel management control practices (such as BB) are allowed to thrive because decisions and promises are flexibly and favorably evaluated through revising the past (Brunsson, 1993; Capps, 1995; Mouritsen & Kreiner, 2016). The thesis highlights the role of hope in overcoming setbacks through resilient ideals that allows ideas to be updated and drive change initiatives forward. Further, the dissertation illustrates the construction of meaning in an organization that decentralizes the discretion of control elements to an individual level. The potentiality of new technologies to provide performance data to individual employees opens up for interpretations of such representations, and it is up to the organizational actors to construct credible stories about past performance and future ideals that sustains action (Brunsson, 2009; Ludema et al., 1997; Quattrone, 2017).

For practitioners, the essence in this dissertation may be summarized in some seemingly grand (yet commonsensical) conclusions. First, labels do not matter. Whether it is called Beyond Budgeting, better budgeting, advanced budgeting, decentralized management control, or something else is of little importance. What matters is that all processes to improve control practices (and thus budgeting) are ever ongoing and in constant evolution. The implication is that one will never be “done”, and systems will always entail incompleteness which leads reforms to become the norm. Practitioners must not only settle with accepting that incompleteness, uncertainty, and ambiguity will always be part of (organizational) life, but moreover, embrace the opportunities for affecting the future through envisioning better futures and imparting hope in organizations. The best contemporary controllers can do is work to improve ways of creating and analyzing data that can be discussed.

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CHAPTER I

Budgeting, and Beyond: Towards a Theoretical Foundation for Beyond Budgeting Research

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The objective of this paper is to identify common themes around issues with budgeting and corresponding proposed solutions, from a Beyond Budgeting (BB) perspective, to assist in providing a theoretical foundation for BB research as part of the wider budgeting literature. A mixed method literature review is conducted, consisting of a preliminary eclectic review which scopes a broader, systematic review on budget criticism and proposed solutions. In contrast to other literature reviews, this paper demonstrates how BB may find conceptual clarity in looking to “traditional budgeting” (TB) research, rather than actively distancing itself from it. The paper demonstrates how budgeting research has always been concerned with the behavioral consequences of budgeting. Furthermore, it is argued that a more constructive approach for theoretical development in BB is to see the two literatures as one and construct knowledge from both streams. By drawing on TB research, BB researchers may find theoretical footing for further research on the role of slack and participation in organizations seeking to improve budgeting and control processes. The review also uncovers that the role of hindsight in performance evaluation is one of the more promising avenues for further budgeting research. Finally, the paper illustrates how a combination of eclectic and systematic review methodologies allows researchers to broaden the scope to extensive literatures, to synthesize common themes and directions for future research over many years to avoid the potential compartmentalization that arises from conceptual divergence over time.

Keywords: mixed method literature review; eclectic review; systematic review; beyond budgeting

1. Introduction

Budgeting is one of the most prominent planning and control tools in organizations and has been so for more than half a century, which leads it to be “one of the most extensively researched topics in management accounting” (Covaleski et al., 2003, p. 4). Budgeting is about predicting the future, allocating resources, motivating and incentivizing employees, managing performance, evaluating effort, and controlling people and organizations (e.g., Covaleski et al., 2003; Libby & Lindsay, 2010). The budgeting *process* (budgeting) is wider than the end *product* (the budget) and involves both human and organizational action, as well as reactions and interactions on many dimensions (Covaleski et al., 2003). In this paper, budgeting is classified as a performance management system (PMS), in which budgeting is about more than the accounting numbers – it is also about the process and behavior.

The extensive body of budgeting research leads to an emergence of different budgeting research thrusts, each built on different theoretical foundations. According to Covaleski et al. (2003), most budgeting research is informed by economics, psychology, and sociology and, as budgeting researchers become more influenced by non-budgeting research in their choice of theoretical perspective, budgeting research has grown apart. In the process of simplifying within a theoretical perspective, researchers may “forget” (see Mouritsen & Kreiner, 2016) about certain complex relationships, and later seek to advance the literature within “issues that were previously simplified away” (Covaleski et al., 2003, p. 4).

In this paper, I consider two apparently opposing literatures on budgeting. Traditional budgeting (TB) research is about improving the budget process to optimize effort and performance (Covaleski et al., 2003). Beyond Budgeting (BB) is a practice-driven concept that has emerged over the last two decades, and is receiving increasing recent attention (Nguyen et al., 2018). BB is often claimed to be built on a different set of assumptions about humans (McGregor, 1960) than traditional budgeting (Bogsnes, 2009; Hope & Fraser, 2003), and is

seen as a critique towards traditional annual budgets where the ultimate goal in BB is to abandon budgets altogether (Wallander, 1999).

In addition, research on BB is argued to be fragmented, mainly empirical and explorative (Nguyen et al., 2018), and a unified understanding of the concept is lacking. Finally, researchers have been concerned about some of the vagueness and internal inconsistencies in BB which remain unanswered in both practitioner and academic literature (Frow et al., 2010), and the concept is not maturing and homogenizing in the same manner other management accounting innovations have done previously (Granlund & Lukka, 1998).

Based on this apparent separation in the literature, this paper seeks to answer how budgeting research may be further advanced by identifying problems and proposed solutions with budgeting and management control. Particularly, the paper seeks to identify how BB and TB research may be more integrated, in a unified thrust towards a less divorced literature. To answer this research question, we first have to identify some of the central issues within budgeting. Then, we can identify areas in TB from which BB can depart on its quest to theorize about budget alternatives *beyond* issues that are already addressed in TB literature.

To answer the research question, I perform a mixed method literature review. I study both TB and BB and show how an open-minded approach towards the issues raised in both literatures strengthens the theoretical potential of BB research. The review departs from criticisms and problems with budgeting and shows where the literatures converge and where they diverge. The first part of the review consists of a traditional eclectic review in which I identify some of the critiques and proposed solutions to budget shortcomings. Building on these themes, I then conduct a structured review of more than 50 years of budgeting research to identify how TB and BB may work together to build knowledge and theorize about observable PMS practices.

The review is structured around behavioral and coordination problems and recognizes an array of behavioral and organizational solutions to these problems. Rather than taking a contrarian position towards budgeting, I argue that traditional budgeting research may improve our understanding of BB by providing a theoretical foundation from which to analyze fundamental similarities and differences.

The starting point in BB research is that traditional budgeting is flawed, riddled with problems such as gaming, myopia, and inflexibility (Hansen et al., 2003; Van der Stede, 2000). For example, there are many insights in TB research about participation and slack that is transferable to BB research. Much of TB research has studied relative and collective performance measures, and I argue that by building on this insight, BB research will be able to generate new knowledge. For instance, Brügger and Luft (2011) found that relative performance measures may increase misrepresentation and gaming behavior. This insight is valuable to BB researchers as they further explore relative performance measures coupled with hindsight and subjective adjustments post-hoc.

Similarly, the well-established literature on participation (e.g., Onsi, 1973) offers an excellent basis for supplementary studies on employee empowerment. Certain features (such as the motivating aspects of self-determination and the potential for rhetoric and ritualistic participation/empowerment) will be comparable, whereas others (such as the role of hindsight) may be different and worthy of further investigation and theorization.

The review offers three contributions to extant research on budgeting (Covaleski et al., 2003; Nguyen et al., 2018). First, it offers some words of caution concerning the potentially detrimental divide between BB and TB. Second, the study highlights some of the overlap between TB and BB literature by identifying a number of problems with budgeting and endeavors to deal with these issues. Third, the study suggests some directions for future research on budgeting, contemporary PMSs, and human organization. Moreover, the study

demonstrates how a mix of eclectic and systematic reviews may assist in driving accounting research forward.

The rest of the paper is organized as follows. Section 2 presents the review methodology, describing the data sampling strategy. Section 3 opens with the eclectic review on behavioral budgeting research that frames the subsequent systematic review. Further, the systematic review considers more than 50 years of budgeting research and compares and contrasts TB and BB literature, before a concluding discussion with avenues for further research is presented in section 4.

2. Review Methodology

Initially, I set out to conduct a systematic literature review of traditional budgeting research by departing from a recent literature review on BB (Nguyen et al., 2018). Systematic reviews are methodical, transparent and reproducible, and are considered a rigorous method for investigating what works (Gough, 2015; Tranfield et al., 2003).

However, systematic reviews have been criticized for their usefulness in theory-building (Gough et al., 2012), and that they tend to be mechanistic in nature. As the study progressed, it became evident that a more informed entry than a pure departure from BB literature would benefit the research objective. I decided to start with behavioral budget criticism in a broader sense and adhere to a different approach, namely a mixed method review (Gough, 2015). The combination of a more eclectic review, together with a systematic review, has been suggested as a better way to investigate not just *what* does (not) work, but also *why* it does (not) work (Gough et al., 2012). The mixed method review integrates the flexibility and breadth of a traditional eclectic review with some of the more rigorous characteristics of a systematic review (Gough, 2015).

The eclectic review broadly investigates behavioral budgeting literature on a journey towards defining a set of concepts, themes, and research thrusts to systematically examine in the succeeding systematic review. The eclectic review focuses on problems with budgeting, proposed solutions, and consequences for PMS design and use. Ultimately, the eclectic review serves as a scoping study that defines inclusion and exclusion criteria, as well as research objectives for the impending systematic literature review.

The objective of the systematic review is to identify commonalities and discrepancies in TB and BB literature around identical or similar concepts, and ultimately to bring these literatures closer together in an attempt to build on previous knowledge and advance our understanding of performance management in complex organizations and dynamic environments. As Massaro et al. (2016, p. 795) concluded, structured reviews are a way of “developing research agendas that critique and build upon ‘the shoulders of giants’”.

A search was performed in the Scopus¹ database, with a specific search string (see Appendix C), where I searched for all variations of *budget* (such as budgeting, budgets, budgetary, etc.) in titles, keywords, and abstracts. Bearing in mind the importance of titles, keywords, and abstracts, which are all carefully written by the author, it may be argued that these data points will represent an overview of the most salient themes in a given article. The search included all accounting journals on levels 3 and 4 of the ABS-list², as well as four individually selected level 2 journals³ with a history of publishing (beyond) budgeting research. In total, there are 27 journals on levels 3 and 4, and with AMA, JAOC, JMAR, and QRAM, a total of 31 journals were included in the search (see Appendix A). Not all journals are covered

¹ www.scopus.com is the largest abstract and citation database of peer-reviewed literature.

² The ABS-list, also known as the Academic Journal Guide, is a recognized journal ranking system used primarily by business schools.

³ Advances in Management Accounting (AMA), Journal of Accounting and Organizational Change (JAOC), Journal of Management Accounting Research (JMAR), and Qualitative Research in Accounting and Management (QRAM)

in Scopus, and additional searches were conducted in other databases such as JSTOR, EBSCOhost, Emerald Insight, and ProQuest.

In total, close to 28,000 articles were published by the journals included in the selected journals over the designated period, and the findings will obviously be limited by the search strategy. The search goes back more than 50 years, from 1968-2020, and 1,005 articles were identified at the onset of the review. Earlier research papers often did not have abstracts or keywords, which means unless the paper has a variation of *budget* in the title, it will automatically be excluded from the sample. In the earlier periods, there were also significantly fewer journals. The total number of articles published in the selected outlets has increased steadily year-over-year thus biasing findings somewhat towards more recent research (see Appendix D for development of publications per year). In the selection of relevant research, I still attempted to select research across the entire period.

Employing inclusion and exclusion criteria⁴ based on the eclectic review (next section), as well as a few cross-references and citation checks (Franco-Santos & Otley, 2018), I reduced the number of research papers included in further analyses from 1,005 to 76. The reduction involved importing all the abstracts to Excel and Word where a set of search and classification strategies were employed. For example, searching for *participat** returns all abstracts in which variations of participation (participate, participated, participatory, etc.) are present. After reading and categorizing abstracts according to the findings in the eclectic review, the systematic review presents an overview of research themes within behavioral budgeting research that may help BB researchers in their theorizing efforts going forward.

⁴ Excluding papers about e.g., capital budgeting and line-item budgeting, and including papers about e.g., gaming, participation, stretch targets, etc.

3. Literature Review

3.1. Eclectic Literature Review

Considering that this paper aims to identify common themes around issues with budgeting and corresponding proposed solutions in a BB perspective, the review is two-fold. First, a traditional, more eclectic review is performed, where common themes and research thrusts in the TB and BB literature are identified and synthesized. Second, a subsequent systematic review offers an extensive overview of problems and proposed solutions within a wide array of budgeting literature. This eclectic review thus results in a framework within which to perform a more structured and systematic literature review.

The objective of this eclectic review is to identify thematic research thrusts within management control systems and performance management systems literature, with a particular emphasis on problems with budgeting, proposed solutions, and consequences for PMSs.

The eclectic review consists of predominantly scientific review articles in the field of behavioral, organizational, and sociological accounting research (e.g., Birnberg & Shields, 1989; Covalleski et al., 2003; Franco-Santos & Otley, 2018; Hansen et al., 2003; Nguyen et al., 2018), but also a number of seminal research articles and books on human behavior and budgeting (Argyris, 1952, 1953; Caplan, 1966; Hofstede, 1968; McGregor, 1960), as well as some BB literature from both academia (Ekholm & Wallin, 2000; Hope & Fraser, 2003; Libby & Lindsay, 2010) and practice (Bogsnes, 2009, 2013; Wallander, 1995, 1999).

Since Argyris' (1952, 1953) seminal work on budgets in the 1950s, a vast literature of behavioral budgeting research has emerged. Argyris (1953, p. 97) defined budgets as “accounting techniques designed to control costs through people”, and further pointed to the use of budgets for rewarding and penalizing purposes as a human and organizational issue. Hofstede (1968) defines the budget process as one of the most important forms of management

control, and others define the budget as a “device for planning and control” (e.g., Pettersen, 1995, p. 207).

It has been established that budgets have behavioral consequences for human action (see Argyris, 1953; Caplan, 1966), and “[t]he effective use of budgets and other accounting control techniques requires an understanding of the interaction between these techniques and the motivations and aspiration levels of the individuals to be controlled” (Caplan, 1966, p. 498). Birnberg and Shields (1989) showed how the study of budgeting practice became one of the earliest and most important ways to conduct behavioral accounting research. According to Horngren (1995), management accounting systems should provide information that supports economic decision-making, as well as motivating users toward organizational goals. Otley (1990) concludes that budgetary control has to be examined in a wider context.

Covaleski et al. (2003) argue that budgeting includes both a set of numbers (the *budget*) and the *process* of developing and using budgets (the *budgeting process*) which involves human and organizational action, reaction, and interaction (on many levels). Franco-Santos and Otley (2018) equate management control systems (MCS) with performance management systems (PMS), acknowledging that earlier MCS work under-emphasized wider organizational control mechanisms.

Accordingly, PMS may in some cases be a slightly wider term than MCS, but this paper uses the term PMS as an umbrella term encompassing budgeting (as a process), management control, and wider organizational control mechanisms and processes. The reason for doing so is that the current review focuses on the behavioral aspects of budgeting research in a wide sense, and includes tools and philosophies emerging as complementary or substitutive to more traditional budgeting practices.

Having established a wide behavioral base for performance management research, anchored in a wide definition of budgeting, the eclectic review will draw on traditional

budgeting (TB) research and Beyond Budgeting (BB) research to unearth similarities and differences that may improve theorization in BB research.

3.1.1. Critique of Budgets

Departing from the previously introduced budget criticism, the eclectic review identifies common themes with regards to problematic issues with budgeting and proposed solutions to such issues, as well as changes to PMS under these circumstances.

The sum of criticisms towards the annual budget (mainly from practitioners) is that it “seems to fall short in its ability to aid in value creation based on superior external effectiveness” (Ekholm & Wallin, 2000, p. 523). Budget shortcomings have been approached in different ways in practice, where one approach is concerned with planning problems and the other is concerned with performance evaluation problems (Hansen et al., 2003). The practice literature on BB (e.g., Bogsnes, 2009; Hope & Fraser, 2003; Wallander, 1995, 1999) often takes a strong oppositional position, advocating budget abandonment. Wallander (1995, 1999) calls budgets an “unnecessary evil” and argues that the best one can do “is to heave your budgeting department and all their forms overboard” (Wallander, 1999, p. 411). Academic literature shows that despite widespread critique of budgets, budgets are still important for most businesses (Libby & Lindsay, 2010).

Hansen et al. (2003) build on a report by Neely et al. (2001) and list several weaknesses with budgetary control. A recent literature review on BB (Nguyen et al., 2018), identifies a number of criticisms of TB, as well as changes to MCSs under BB. Franco-Santos and Otley (2018) study unintended consequences of PMSs, which largely overlap with weaknesses of, and criticisms towards, budgeting. TB is argued to be costly and time-consuming (Hansen et al., 2003; Nguyen et al., 2018), resulting in low value-creation (Ekholm & Wallin, 2000; Hansen et al., 2003). Related to time consumption is the notion of TB being developed too

slowly and updated too infrequently (Hansen et al., 2003), which practitioners argue creates an irrational focus on year-end evaluations and serves as an annual performance trap (Bogsnes, 2009). Budgets are also criticized for being based upon guesswork and unsupported assumptions (Hansen et al., 2003). Further, one of the most prevalent criticisms towards TB is that budgeting encourages gaming and perverse behaviors (Franco-Santos & Otley, 2018; Hansen et al., 2003; Nguyen et al., 2018). Comparable to gaming are the problems of building slack through information manipulation and strategic misrepresentation (Franco-Santos & Otley, 2018), where individuals intentionally change or misrepresent financial or other performance data.

TB is also criticized for focusing too much on cost reduction over value creation (Hansen et al., 2003), and this may lead to short-term thinking and myopic behavior (Van der Stede, 2000). Myopia leads to selective attention (Franco-Santos & Otley, 2018), and focusing on a narrow set of budgetary targets may result in an illusion of control and work against a wider strategic perspective in the organization (Franco-Santos & Otley, 2018; Hansen et al., 2003; Nguyen et al., 2018). In terms of flexibility, TB is considered to constrain the responsiveness of the organization (Hansen et al., 2003), result in low adaptability in dynamic business environments (Nguyen et al., 2018), and generally, hamper change within the organization, as well as not reflecting the emerging network structures that contemporary organizations are adopting (Hansen et al., 2003).

Finally, the literature shows that budgets are considered to strengthen vertical command-and-control (Hansen et al., 2003; Nguyen et al., 2018), resulting in strict hierarchies that reinforce departmental barriers rather than encourage knowledge sharing and learning (Hansen et al., 2003). Correspondingly, Franco-Santos and Otley (2018) discuss altered social relationships as a consequence of introducing new PMSs. These alterations of social structures may make people feel undervalued (Hansen et al., 2003).

3.1.2. Proposed Solutions and Consequences for PMS

When discussing the emerging criticism towards traditional budgeting, the literature identifies a set of changes to the organizations, their members, and the PMS in place. Performance measures, linked to motivation and reward, are proposed to be set as relative stretch targets instead of as absolute targets (Hansen et al., 2003; Nguyen et al., 2018). A high level of individual participation is assumed to be positively correlated with good performance (Nguyen et al., 2018), and resource allocation is proposed to be dynamic, ongoing, and readily available on a case-by-case basis (Hansen et al., 2003; Nguyen et al., 2018).

Covaleski et al. (2003) consider the term *participation* used in TB literature as an analogous term to the contemporary focus on employee empowerment. In terms of planning and forecasting, BB advocates a more frequent updating of numbers through e.g., rolling forecasts, as well as a strategic and value-creating focus (Nguyen et al., 2018). Under BB, the controller is argued to become more strategy-focused, and decentralization and employee empowerment improve organizational agility and flexibility (Nguyen et al., 2018). BB is argued to lower focus on rigid planning and control, and instead involve “more anticipation, monitoring, and empowerment” (Ekholm & Wallin, 2000, p. 521). This in itself appears contradictory and paradoxical, as increased monitoring intuitively undermines the authenticity of empowerment, and thus warrants further inquiry into the idiosyncrasies of budgeting research.

Just like other studies of the performance management literature (Covaleski et al., 2003; Ekholm & Wallin, 2000; Hansen et al., 2003; Nguyen et al., 2018) points to altered social relationships, hierarchies, organization, and culture as changing under BB, Argyris (1953) understood that the logics behind budgets (as a numeral representation of an organization) were flawed, and that “[a]n organization is something different from the sum of the individual parts” (Argyris, 1953, p. 105).

Organizations are not cumulative, in the sense that one may not simply add all of the broken-down parts into a complete picture. Rather, it is the relationships between parts of an organization (and hence *processes*) that make a difference. Financial staff and managers that continuously work to improve their understanding of themselves and others in an organization are argued to be more effective and constructive in the long run (Argyris, 1953). Further, Hofstede (1968) identified participation and gaming as important related concepts for the success/failure of budget processes, concepts that are still central to budgeting and PMS research today. Argyris (1953) highlights the benefits of participation in budget processes, but he also provides evidence of pseudo-participation, in which participants only *feel* as if they had a say in the matter, and this pseudo-participation serves as a legitimating process where *participants* cannot retrospectively complain about the budget outcome. Hofstede (1968) emphasizes that gaming behavior may also have a *positive* side, in the way that a focus on budget attainment may create a spirit of sportsmanship (similar to the current arguments for internal benchmarks and league tables).

The contemporary practitioner in BB literature (e.g., Bogsnes, 2009, 2013) claims to have a fundamentally different view on human beings by drawing on McGregor's (1960) Theory X vs. Theory Y, yet this focus on the human side is clearly not novel. In a response to a book review, Hofstede (1970, p. 136) refuses to accept that his work on budget control was "Theory Y inspired" with an agenda for participation in and of itself. He argues that participation is not necessarily good in itself, and shows that external reference points, as well as decisions from higher up the hierarchy, codetermine the impact of a budget control system.

The relationship between control and autonomy is a complicated one, and as old as "organized human group life" (Hofstede, 1968, p. 12). In some cases, there may be an aligned desire for control between a superior and a subordinate, and if so, the total amount of organizational control is positively correlated with organizational effectiveness. Further, there

is no obvious direct relationship between organizational performance and individual autonomy (Hofstede, 1968). In conclusion, both structure (hierarchy) and autonomy (participation) play an important role in budgeting success, and they are not always opposites on a zero-sum spectrum.

3.1.3. Scoping the Structured Literature Review

As previously mentioned, this eclectic review forms the basis from which the structured literature review departs. Drawing on the above review, I synthesize common themes, research thrusts, and clusters into an aggregated categorization of budgeting research for further analyses.

First, separating TB from BB will mainly be based on whether a research paper itself or an ensuing review paper, identifies the research as BB research. Second, research themes and concepts are separated on a dimension of whether the research presents a *problem* with budgeting or proposes a *solution*. The term solution must not be misinterpreted as a definitive, final solution, but the research theme distinguishes itself by proposing some change in the budgeting process, human relationships, or organizational structure.

Finally, the review focuses on research within categories of *behavioral* or *coordination* issues. *Behavioral problems* are often met with *behavioral solutions*, and *coordination problems* are habitually solved through *organizational/structural solutions*. Considering most papers deal with problems and solutions on both the behavioral and the coordination spectrum, the typology is not distinct, and research is categorized based on where it fits best.

In summary, the clusters in Figure 1 below represent two wide sets of problems and two wide sets of proposed solutions as presented in the preceding eclectic review. There are behavioral problems, represented by concepts such as gaming behavior, information manipulation, strategic misrepresentation, slack-building, and myopia, which are proposed

solved through, for example, participation in the budgeting process (i.e., behavioral solutions). Then there are coordination problems related, for example, to planning, forecasting, an illusion of control, and resource allocation, with organizational solutions such as bureaucracy, hierarchy, strategic alignment, and organizational flexibility.

	Behavioral	Coordination
Problems	<i>Gaming; Information manipulation; Slack; (Strategic) Misrepresentation; Myopia; People feel undervalued</i>	<i>Static resource allocation; Infrequent planning and forecasting; Illusion of control; Vertical command-and-control; Selective attention</i>
Solutions	<i>Participation; Stretch in target setting; Empowerment</i>	<i>Enabling bureaucracy; Decentralization; Strategic alignment; Flexibility; Dynamic resource allocation; Rolling forecasts; Altered social relationships</i>

Figure 1. Problems and solutions on two dimensions.

Based on the findings in the eclectic review, I would argue that BB benefits from looking to TB literature to build knowledge on how to design efficient and effective PMSs. For instance, the argument that budgets are poorly adapted to complex business environments is not something BB literature is alone in addressing. One recent example is Kaufman and Covaleski (2019) who study budget flexibility (TB) in terms of formality and informality as a tool to successfully manage institutional complexity and competing institutional logics over time. Similarly, Hansen and Van der Stede (2004) found that reasons-to-budget differ, which requires organizations to make tradeoffs between different budget uses, contingent upon situational circumstances.

As Anthony (1989) concluded 30 years ago, the basic structure of management accounting may not change (nor did he consider it likely to change), yet there is room for improvement in how we go about solving issues of information technology, measurement, motivation and performance management. Issues with budgeting (and performance

management) may never be eliminated, as new tools, methods and philosophies introduce new sets of unintended consequences.

Nevertheless, as organizations continue to make new attempts at improving efficiency and simultaneously maintaining a level of control, management accountants will have to be ambidextrous and flexible, as they move forward in the nexus between autonomy, flexibility, and creativity on the one hand and structure and control on the other. This realization, however, is not novel in any way, as Hofstede (1968) showed half a century ago when he discussed the conflict between control and autonomy, as well as the democratization of business, politics, family, and religion. The succeeding structured literature review mobilizes the framework presented at the end of the eclectic review and identifies and analyzes similarities and differences between TB and BB, as well as providing direction for future research on budgeting.

3.2. Systematic Literature Review

The objective of this systematic literature review is to provide an extensive overview of issues in budgeting research, inherent problems, and proposed solutions to deal with these issues, both within TB and BB. The systematic review is based on the categorization that was developed in the preceding eclectic review. As pointed out in the previous chapter, these categories are not distinct. For instance, for motivation and rewards, there was a need to separate motivation as a behavioral problem from reward systems as an organizational solution, yet the combination of the two is present in behavioral solutions via participation, for example, in target setting. For a complete overview of the papers included in the systematic review, see Appendix B.

3.2.1. Behavioral Problems

In traditional budgeting research, the unwanted behavioral consequences of budgeting are well documented and thoroughly researched. As the eclectic review showed, many researchers (e.g.,

Argyris, 1953; Caplan, 1966; Hofstede, 1968) acknowledged the behavioral problems with budgeting early on, and the search for explaining anecdotal accounts of misrepresentation, slack, gaming, and myopic behavior led researchers to “simplify away” the complexities of managerial work and performance evaluation (Covaleski et al., 2003; Hopwood, 1972). The following section unearths some of the behavioral issues raised with budgeting, both in TB and in BB literature.

Misrepresentation and slack building

Several BB research articles (Hansen et al., 2003; Libby & Lindsay, 2010; Sandalgaard & Bukh, 2014) show how dysfunctional behavior (such as misrepresentation) may arise when holding managers accountable towards static budgetary targets with no credible (outside) reference point. The systematic literature review identified that these concerns are far from unique to BB, and budgeting researchers have already identified several situations in which these issues are acknowledged and attempted tackled.

The basic mechanism of misrepresentation and the building of slack is quite intuitive. Given the opportunity to manipulate information due to information asymmetry, workers have an incentive to create slack by overstating task difficulty or resource requirements (Onsi, 1973; Waller, 1988). Slack creates biases in budgets and may result in weakened profitability through, for instance, expensive planning errors (Fisher, Maines, et al., 2002).

Hayes and Cron (1988) study zero-base budgeting (ZBB), and how configurations of this particular budgeting system may affect behavior in budgeting endeavors. ZBB is argued to increase task uncertainty as one does not rely on previous experience, which in turn incentivizes dysfunctional behavior, such as misrepresentation of financial data which leads to information asymmetry. In attempts to reduce information asymmetry, Dunk (1990) demonstrates how

participation as a means of accessing private information might provide an opportunity for subordinates to manipulate the process in their favor and rather create slack.

Chow et al. (1991) discuss how private information may motivate workers to create slack by manipulating or misrepresenting (understating) their true performance expectations, instead of maximizing performance. This is especially true when worker compensation is tied to performance standards or targets (Chow et al., 1991). Other studies of slack nuance the picture by providing detailed evidence for a bidirectional relationship between slack creation, organizational commitment, and job involvement. Highly committed managers are less likely to build budgetary slack when participating in budget processes, whereas managers with low organizational commitment are more likely to build slack (Nouri, 1994).

Gaming and Myopic Behavior

As the earliest article in this sample advocating for new and advanced management systems, Bunce, Fraser and Woodcock's (1995) work is classified as a BB-paper, even though the term is not explicitly used by the authors. The paper argues that traditional budgeting leads to a lack of commitment, dysfunctional behavior, and wasted opportunities due to bureaucratic processes with low value-add.

Hansen, Otley and Van der Stede (2003) adapt a practitioner article on problems with budgets and show how vertical command-and-control makes people feel undervalued, and how TB impedes employee empowerment. Another issue with budgeting that BB criticizes is gaming and myopic behavior, which is closely linked to the previous section on slack and misrepresentation.

Østergren and Stensaker (2011) point to how TB may encourage myopic decision-making and dysfunctional budget gaming. The decoupling of strategy from operations, as well as the internal orientation of TB, is discussed as problematic in the sense that operations are

biased towards short-term target attainment over long-term performance considerations (Bourmistrov & Kaarbøe, 2013; Østergren & Stensaker, 2011).

In TB, pressure towards meeting the budget is recognized as a factor that may inspire gaming behavior, yet Lyne (1988) finds no dysfunctional consequences from budget pressures. In fact, in his study, pressures to meet targets is found to come from the individual, not senior management or accounting personnel (Lyne, 1988). In a later study, Lyne (1992) reaffirmed that internal budget pressure is the main source of budget pressure and that this pressure was considered beneficial, even by lower-level managers.

Arnold (2015) points to how TB and negotiation are criticized for being time-consuming and generating high financial pressure to meet targets set by top management which inspires gaming behavior. Lal, Dunk and Smith (1996) support the notion that budgetary pressure (the importance of meeting budgets) and access to private information influence the propensity to create slack. They further propose that investments in information systems and initiatives to understand the effects of task uncertainty may improve slack controllability (Lal et al., 1996).

Tight budgetary targets are associated with slack creation for both manufacturing operations and marketing departments, but only in manufacturing will cost control reduce the propensity to create slack (Lau, 1999). This suggests that control system effectiveness differs between intra-organizational functions. In addition to creating slack, tight budgetary control is also related to a strong emphasis on meeting short-term targets (Van der Stede, 2001).

With regards to gaming as unwanted behavior, Christiansen and Skærbæk (1997) show how budget games may indeed *increase* communication, and how in these games, different actors fix attention to different areas. Games and sub-games may emerge in different settings and influence organizational power distributions. Uddin and Hopper (2001) observe gaming as a functional concept for local management, as this may work to relieve the pressures of work intensification. One explicit gaming pattern in budgeting is budget negotiations. According to

Fisher, Frederickson and Pfeffer (2000), budgeting research has separated the planning aspect of budgets (slack) from the motivational aspects (subordinate performance) and argue that there might be trade-offs between these aspects worth exploring where negotiation participation is part of the budgeting process. Negotiation and participation as a solution to dealing with budgeting problems follow in the next section.

Other Behavioral Issues

A very different behavioral insight shows how budgeting practice, by reducing political uncertainty and complexity to resource allocation problems, converted “the unthinkable” (i.e., nuclear war preparation) to technical and mundane tasks (Chwastiak, 2001). The simplification of complexity to numbers through budgeting may ease the emotional burden of morally difficult decision-making (Chwastiak, 2001), and works to desensitize individuals towards being accountable for something without having to take personal responsibility for the decision.

In this sense, accounting reduces role conflict as the system legitimizes decisions by converting morally difficult questions to technicalities. On the subject of role conflict, in a study of mid-level managers, Marginson and Bui (2009, p. 59) show how the expectancy of “innovation and empowerment alongside budget-goal attainment may increase levels of psychological role conflict, leading to a decrease in performance”. They find that a dualistic role expectancy may have positive outcomes for high-performing managers, but is detrimental to low-performing managers (Marginson & Bui, 2009).

Summing up Behavioral Problems

Both BB and TB are concerned with budgeting problems and unwanted/unintended consequences of budget processes, and the review shows that the apprehensions in both literatures are similar. This tells us that both streams of literature can learn from the other and

build upon previous knowledge to advance research on performance management.

3.2.2. Behavioral Solutions

Researchers have offered several potential solutions to a diverse set of problems and unintended consequences of budgeting. In this section, I elaborate on participation, target setting, and stretch, respectively.

Participation

In traditional budgeting research, participation is presented as a concept that may reduce budgetary slack in organizations (Onsi, 1973). Mia (1988) finds that participation in budgeting is contingent upon the participants' attitude and motivation. A favorably motivated manager is associated with improved performance, whereas a demotivated manager is associated with impaired performance.

Nouri (1994) showed how job involvement (i.e., participation) is negatively correlated with slack creation for managers with high organizational commitment, whereas for managers with low organizational commitment, job involvement is positively correlated with slack creation. This illustrates under which circumstances participation may reduce slack, and that participation itself is likely not enough to deal with slack creation. Even though participation is not necessarily unequivocally positive for performance, participation in budget processes may, however, reduce budget criticism and resistance towards budgetary goals and targets. When participation, managerial involvement, and the importance assigned to action plans during budget negotiations are high, budgets are less criticized (Sponem & Lambert, 2016).

To deal with the issue of slack, Waller (1988) demonstrates that the introduction of a truth-inducing incentive scheme decreases slack for risk-neutral subjects but not for risk-averse subjects, which indicates that risk-averse employees maintain slack for buffering towards

uncertainty in goal attainment. Chow et al. (1991) show how self-set standards (i.e., participation) under a truth-inducing incentive scheme reduces inserted slack, but that a ratchet (a minimum standard based on past performance) is just as effective in slack reduction when information about past performance becomes available. Hence, there may only be a short-term effect of participation, and this insight may also explain some of the problems with ZBB (Anthony, 1989; Hayes & Cron, 1988) which discards knowledge about past performance and starts anew every year. Thus, some of the TB literature indicates that participation will only be valuable in uncertain environments with risk-neutral subjects.

In his studies, Peter Brownell (1981, 1982) shows how the effect of budget participation on performance is moderated by the individuals' locus of control. Participation has a positive effect on performance when individuals feel they have a large degree of control over their destiny, whereas the opposite is true for individuals who feel that the outcome of their destiny comes down to luck, chance, or fate. Thus, "[i]nternals (individuals who feel that they are in control of their destinies) appear more job-satisfied and perform better under conditions of high participation" (Brownell, 1982, p. 766).

By contrast, "externals (individuals who attribute the results of their actions to chance, luck, or fate) are more job-satisfied and perform better under conditions of low participation." (Brownell, 1982, p. 766). It may seem intuitive that participation is desirable when an individual is in control of outcomes. BB promotes participation through decentralized decision-making and employee empowerment (Nguyen et al., 2018). BB is often argued to be particularly helpful in complex, dynamic, and rapid-changing business environments, which, according to Brownell's (1982) findings, indicate that participation is not particularly appropriate. However, Brownell's (1982) findings apply to the individual's attribution of controllability, which may indicate that the successful adoption of BB principles requires a deeper mindset change (Bourmistrov & Kaarbøe, 2013).

Brownell and McInnes (1986) interestingly show that even though participation and performance are significantly positively related, it is not mediated by motivation as previously hypothesized. Participation's relationship with motivation is found to be insignificant (Brownell & McInnes, 1986). In a meta-review of budget participation and reliance on accounting performance measures (RAPM), Derfuss (2009, p. 224) concludes that "budgetary participation creates value through its positive association with managers' attitudes and behavior", but that the value is difficult to measure. This insight may be of great value for BB researchers going forward and may inspire research on successful BB implementation and the role of motivation, locus of control, and mindset changes.

In BB, budget negotiations are considered to be biased by conflicting purposes of the budget. Separating the planning/forecasting from resource allocation and performance evaluation is thought to mitigate the gaming for low targets that increase the probability of goal attainment and financial rewards (Henttu-Aho & Järvinen, 2013; Østergren & Stensaker, 2011).

However, when exploring the use of negotiated budgets for both planning and performance evaluation, Arnold and Gillenkirch (2015) find that the subordinate's budget proposals *and* performance increase subordinate cooperation and that the increase is larger than the loss of flexibility for the superior using only one budget. Fisher et al. (2000) find that negotiated budgets ending in agreement contain significantly less slack than unilaterally decided budgets.

Inviting subordinates to participate (negotiate) is however not without risk as a "failed negotiation followed by superiors imposing a budget has a significant detrimental effect on subordinate performance" (Fisher et al., 2000, p. 94). In a later study, subordinates' under-performance due to unilateral budgeting decisions is linked to fairness considerations and demotivation (Fisher, Frederickson, et al., 2002). Arnold (2015) shows how exogenous constraints in budget negotiations (i.e., increased opportunity costs, and financial pressure to

meet targets) induce cooperation. “[I]n constrained situations, firms seem to adopt particularly efficient internal coordination processes” (Arnold, 2015, p. 32).

Interestingly, Bourmistrov and Kaarbøe (2013) find that the unbundling of budget purposes requires negotiation, which is one of the problems with budgets BB set out to solve. This gives nuance to the somewhat dogmatic claim in BB that separating budget purposes is necessary to improve performance and agility, and it shows how the separation of budget purposes in BB does not eliminate negotiation and gaming.

Davila and Wouters (2005) provide empirical evidence on purposefully budgeted slack with the motivating intention to facilitate managerial work. The company accepted more slack as goals other than budget targets became harder to achieve. By explicitly allowing slack, headquarters signaled to local managers that other measures (such as service and product quality) were at least as important as budget targets (Davila & Wouters, 2005), and strengthens the argument that it is the *use* of budgets that may or may not be detrimental to performance.

Searfoss (1976) discusses both participation, reward structures, and budget target attainability as important variables in individuals’ motivation to achieve the budget. Perceived participation in the budgeting process is found to be most important for “goal-directing effort, whereas perceived reward-dependency had the most significant relationship with the evaluative effort” (Searfoss, 1976, p. 375). Target attainability seemed less important for motivation than participation and reward-dependency, and Searfoss (1976) discusses how the budget becomes the goal itself. Merchant and Riccaboni (1990) find that financial rewards in their case company are based on short-term performance measures, that actual performance is evaluated against highly achievable budget targets, and that few adjustments are made for uncontrollable factors. Thus, meeting the budget becomes a measure of organizational success, requiring budgets to be true representations of organizational goals, and it is under such arrangements that budget criticism emerges.

Shields and Shields (1998) find that participative budgeting is particularly important for planning and control, specifically by improving vertical information sharing (extracting private information) and through the coordination of interdependence. Dunk (1990) shows how participation may improve managers' access to private information and reduce information asymmetry, but at the same time subordinates are given an opportunity to manipulate the budgeting process and create slack. Another study finds that formal budget participation serves as a ritual of control and legitimation, without actually including middle managers (Fernandez-Revuelta Perez & Robson, 1999).

The lack of substantive involvement is argued to serve as an introduction of *de-coupling* and *organizational hypocrisy* to budget participation (Brunsson, 1993; Fernandez-Revuelta Perez & Robson, 1999). This implies that organizations should be thoughtful about when and how to include personnel in decision processes. Libby (1999) shows how performance increases when a combination of *voice* (the subordinate's involvement in the budgeting process) and *explanation* (the communication of a rationale for the subordinate's lack of influence over unilaterally set budget targets) is mobilized. With this in mind, it may actually be communication, and not participation (for participation's sake), that is driving performance.

Target Setting and Stretch

Tiller (1983) provides evidence for increased commitment and performance from participants who perceived themselves as having agency over the decision to set difficult-to-achieve budgets, even in the absence of a performance-contingent reward structure. In a later study, Mia (1989) provides further evidence for a positive relationship between participation and performance when perceived job difficulty was high. Lyne (1992) shows how it is accountants that are most keen on increased participation in budget processes, as opposed to managers and other personnel. Analogously to Lyne's (1992) findings, BB research has highlighted that

accountants (controllers) are becoming more powerful in BB organizations as they are at the center of multi-level communication (Henttu-Aho & Järvinen, 2013; Østergren & Stensaker, 2011).

Østergren and Stensaker (2011) found that under BB, targets are expected to contain stretch (be ambitious/difficult) and become more strategic. By separating target setting from planning and resource allocation, it enables a more ambitious approach towards target setting because it is not so explicitly linked to costs as it is under TB. Whether BB helps in empowering people to creatively secure their projects, or just start new projects, remains to be discovered (Østergren & Stensaker, 2011).

Hirst and Yetton (1999) found that goal setting and task interdependence affect performance variance, suggesting that goal difficulty may be contingent upon whether budgets are used for coordination or motivation. Budget goals are claimed to increase performance, and specific, difficult goals generate higher performance than specific, moderate goals (Hirst & Yetton, 1999), which is in line with the argumentation of BB rhetoric. Stretch targets seem to be useful for low complexity tasks as performance variance is initially low, whereas achievable targets are likely to reduce costly budget variance in high complexity tasks (Hirst & Yetton, 1999).

Bourmistrov and Kaarbøe (2013) identify how decision-makers need to change their mindset from the safe and familiar (comfort zone) to the ambitious unknown (stretch zone). Under BB, decision-makers are forced to rethink what managerial information they both supply and request when the PMS design changes. Previous research on task complexity and the benefit of stretch may provide insightful input to BB research on the subject.

In BB, benchmarking and setting relative performance targets is argued to “increase the accuracy and perceived fairness of performance evaluations, thereby reducing gaming behaviors and motivational problems” (Hansen et al., 2003, p. 101). League tables and internal

competition for resources are assumed to improve efficiency in BB, yet Brügger and Luft (2011) found that the intensity of internal resource competition affects misrepresentation and that medium competition is the worst setting for voluntary information sharing. Derfuss (2016) finds that relative ratings may help control for confounding influences and that from a theoretical standpoint they are preferable over absolute ratings. Insights from Brügger and Luft (2011) may inform BB about settings in which relative performance evaluation is beneficial and when it might be harmful. Also, Aranda et al. (2019) show how this accuracy may be further improved through skillful managerial discretion over subjective bonuses. They find that managers are able to subjectively introduce stretch (relative to peers) to elicit larger performance increases (relative to peers).

The introduction of *hindsight* in performance evaluation as a subjective adjustment of actual economic and operational circumstances is central to the BB approach, and it is used to promote collective over individual performance evaluation and remuneration (Hansen et al., 2003). Regarding hindsight, TB offers little knowledge on the subject, and many organizations shy away from adjusting for uncontrollable factors (Merchant & Riccaboni, 1990). It may be of great interest to further explore the consequences of hindsight considerations for contemporary PMS researchers. When it comes to collective performance evaluation and target setting, Daroca (1984, p. 29) problematizes the practice of setting collective targets, as goals “established by a group may not be cognitively accepted by individuals”, which is also an avenue for further research.

Summing up Behavioral Solutions

Participation is the most dominant concept concerning the undertaking of budget shortcomings. The overall relationship between participation and performance is positive (Derfuss, 2016), but this review has shown how there are unintended consequences of participation as this provides

ample opportunity for manipulation of information and building slack. Relative stretch targets with hindsight is an area in BB that offers interesting opportunities for future research and potentially complimentary knowledge to an already existing literature on relative performance measurement.

3.2.3. Coordination Problems

Advanced management systems require changes in systems and culture (Bunce et al., 1995), with a focus on business process orientation and integrating different management functions and initiatives. In the BB approach, organizational structures of accountability should enable the empowerment of individuals in terms of access to resources (Ekholm & Wallin, 2000; Hansen et al., 2003).

In reality, BB advocates radically decentralized organizations and reliance on administrative, cultural and clan controls instead of strict resource input controls to replace TB (Becker, 2014; Hansen et al., 2003; O’Grady & Akroyd, 2016). Rolling forecasts with frequent updates deal with some of the uncertainties from quickly changing business environments, and by using e.g., balanced scorecards, organizations may direct attention towards key business drivers that are aligned with strategy (Ekholm & Wallin, 2000). Some authors point to how the unbundling of budgetary purposes (i.e., target setting, forecasting, and resource allocation) shifts the organizational focus towards the future as well as aligning with strategy (Bourmistrov & Kaarbøe, 2013).

Budgets are used for many purposes, and several coordination issues arise when budgets are used for planning activities, allocating resources, performance evaluation, motivating employees, compensation, and much more (Covaleski et al., 2003). Bunce et al. (1995) criticize budgeting for being out of sync with business cycles (year-end focus) and having an over-

emphasis on financial perspectives and costs. Strategies are changing as reactions to competitive and structural pressures.

In terms of coordination, the time spent developing budgets results in budgets being outdated by the time they are used (Ekholm & Wallin, 2000). Hansen (2011) discusses how different organizations in different circumstances will have different perceptions of what constitutes a good budgeting process and design. Budgets may impede organizational resource allocation, and the vertical command-and-control structure is incompatible with flat organizational designs and empowered employees (Østergren & Stensaker, 2011).

As organizational dynamics are argued to increase, budgets are claimed to fail in providing decision-relevant information to individual decision-makers. Libby and Lindsay (2010) point to how BB as a practice-developed concept is built on the assumption that budgets are fundamentally flawed and should be eliminated. However, they still find that most organizations continue to use budgets for controlling and that budgets are perceived to be value-adding.

Even though problems with budgets are acknowledged, organizations are adapting their use rather than abandoning them altogether (Libby & Lindsay, 2010). Derfuss (2016) shows that the overall relationship between budget participation and performance is positive and significant, and has previously concluded that the emphasis on budgets for performance evaluation does not automatically lead to adverse consequences (Derfuss, 2009). Further, TB is criticized for being too narrowly focused on incremental changes to budget allocations of existing activities. Through alternative approaches such as ZBB, organizations are being forced to critically review all activities (as all activities are reset to zero) before making any resource allocation decisions (Hayes & Cron, 1988). However, according to Anthony (1989, p. 14), “ZBB is dead”.

One of the earliest papers reviewed in this sample (Searfoss, 1976), points to the goal-directing effort and evaluative effort as two dimensions of a manager's efforts in a budget process. In the 1970s, novel organizational forms were argued to change management philosophies, which led to organizations adopting new concepts and techniques. Budgets were considered one of the most important organizational control systems, and these new developments required design changes in many management information systems to make the overall control system more effective (Ansari, 1979).

This is comparable to the contemporary thrust in BB, where practitioners, in particular, argue that BB is a management philosophy and not a specific tool. Schiff and Lewin (1970) discuss how budgets serve different, and sometimes conflicting purposes, as they are both projections for the future (i.e., forecasts), plans for the coming year, and the basis of the control system. However, even though they are both plans and performance evaluation criteria, budgets are generally perceived as control devices, more than planning. In another study, it is found that most companies saw budgets as mainly forecasts, yet all companies had a significant minority of actors that perceived a target element in budget processes (Lyne, 1988). It is the use of budgets as control devices that resulted in criticism of the budgets as coercive instruments (Schiff & Lewin, 1970). These criticisms from Schiff and Lewin (1970) about conflicting purposes and strict control overlap with the budget criticisms central to contemporary BB literature.

Budgets are considered to be rigid, to stifle initiative and centralize decision-making (Hansen et al., 2003). Further, budgets are considered to work as fixed performance contracts, and increased environmental uncertainty is incompatible with such rigidity (Sandalgaard & Bukh, 2014). Arnold and Gillenkirch (2015) explored the issue of using a single budget for conflicting purposes and found that even though conflicting purposes involve a loss of flexibility, this is offset by increased cooperation. Arnold and Artz (2019) illustrate how many

organizations start the year with a single budget but end the year with separate budget levels, indicating that budget levels are revised during the year.

Other authors discuss how forecasts (or *futurology*) are “projections intended to influence the future” (Charnes et al., 1976, p. 315), and acknowledge the performative role of projections as they influence the future. The use of budgets to increase organizational learning may be a different avenue. Through a historical approach, Chandar and Miranti (2009) studied how AT&T made long-term efforts in organizational learning to improve forecasting of future telecommunication services demand.

Jablonsky and Dirsmith (1978) show how a particular management accounting innovation (PBB) meant to improve both planning and control (coordination) failed due to complexity and lack of understanding in the organization. Even though PBB was considered to fail, it did not always fail, and Jablonsky and Dirsmith (1978) point to top management support, actual adaptation, and usage, as well as capability to cope with organizational changes as some of the important factors for less unsuccessful implementation.

When studying accounting initiatives to deal with budgeting problems in the public sector, Gordon and Sellers (1984) conduct an empirical study of ZBB and find that “[d]uring periods of resource scarcity there was an increased demand for out-of-phase accounting feedback on the budget” (Gordon & Sellers, 1984, p. 283). Becker et al. (2016) find that in an economic crisis, budgeting became less important for performance evaluation and more important for planning and resource allocation. This supports the argument that the annual nature of budgets may be suboptimal, particularly in times of scarce resources, and shows how the perceived usefulness of different budgeting approaches may depend on resource availability (Becker et al., 2016; Gordon & Sellers, 1984). The question of whether BB is particularly useful in already successful organizations and less so for struggling organizations is an interesting problem to pursue.

In terms of controllability, Hoque and Hopper (1994) found that budgeting was not a dominant mode of control in their case organization, but served as a legitimating device towards the head office and external stakeholders, thus providing merely illusory control. Uddin and Hopper (2001) show how detailed accounting systems may become ritualistic, marginal, and decoupled from operations, and the use of budgets is mainly as a pressure device for coercing action with subordinates.

Helliar, Cobb and Innes (2002) find that even though management accounting techniques, as well as the organizational discourse, are changing towards long-term planning and control, short-term accounting solutions and managerial reactions to new external development are still the norm. These studies show how the awareness of, and shift towards, different accounting techniques and control modes is difficult to implement due to change resistance and myopic behavior.

The conventional image of budgetary control as a response to problems with internal coordination is challenged by traditional budgeting researchers (Armstrong et al., 1996; Arya & Glover, 1996). A research paper published before BB became established finds that only “a minority of companies uses a wide range of profit and cost ratios whilst an equally large minority appears not to rely on budgetary control at all” (Armstrong et al., 1996, p. 1).

3.2.4. Organizational Solutions

Some researchers argue that through the decentralization of management structure and modifying budget-based control processes, organizations facing complex and changing environments can move beyond budgeting (O’Grady et al., 2017). O’Grady et al. (2017) further show how there may be different modes of BB (better budgeting, advanced budgeting, restricted budgeting, and non-budgeting), with complete budget abandonment (or non-budgeting) as the most extreme.

Schiff and Lewin (1970, p. 260) argue that “real” organizations face complex tasks and objectives, and have to achieve these through the efforts of diverse participants. They seek to understand why people who differ in capabilities, aspirations, personalities, and perceptions join, and remain in, a particular organization.

When studying budget variances, Ansari (1979) identifies several problems with ad hoc problem solving through budgets (such as data manipulation, blame-shifting, etc.). Instead, Ansari (1979) argues that shifting from control over people to control over system may improve cooperation and shift towards global problem solving over local problem solving which leads to competition between departments.

Considering the complexity of “real” organizations, Otley (1999) discusses how different elements of organizational control are added to performance management systems and packages by different people at different times. This requires PMS to be studied in a wider context because PMS is not a rational set of control mechanisms that work perfectly for the purposes they were designed. The accounting/strategy link affects PMS design and use (Otley, 1999), and even though the implementation of strategic priorities may not influence the importance of accounting, it is likely to influence the use of accounting tools (Abernethy & Brownell, 1999).

Abernethy and Brownell (1999, p. 199) further show that “where top management use budgeting in an interactive mode, this better serves the needs for the learning and adaptation required when strategic change is underway”. Granlund and Malmi (2002) find that management accounting techniques, traditional as well as *advanced*, operate in separate systems. Integrated enterprise-wide systems may free up time from routine tasks and lead to more time left for valuable analysis.

Merchant (1981) finds that formal administrative controls are relatively more used in larger organizations, as opposed to interpersonal controls. Independent of size, managers in all

firms evaluated formal and elaborate budgeting processes as desirable, but it appears that the link between good organizational performance and formal budgets is greater for larger firms (Merchant, 1981).

In their study, Hoque and Hopper (1994) show how a variety of social and informal control mechanisms were employed to deal with complexity and uncertainty, sidelining the formal budget as a legitimating device. Cobb, Helliard and Innes (1995) find that management accounting change (in general) increases communication between managers and management accountants, and communication is previously found to reduce allocative distortions (Balakrishnan, 1992). This might indicate that it is change itself, not any given tool, technique, or philosophy that has the greatest organizational consequences.

Linking participation to organizational structure, Gul, Tsui, Fong and Kwok (1995, p. 107) find that “at high levels of decentralization there is a positive relationship between budgetary participation and managerial performance but at low levels of decentralization, this relationship is negative”. This shows how the design of organizational hierarchies and bureaucracies influences the efficacy of behavioral solutions, such as participation. Similarly, when Stammerjohan, Leach and Stammerjohan (2015) study budgetary participation in relation to power distance, they find that for lower power distance managers, job satisfaction is important for connecting budgetary participation and performance. However, for high power distance managers, the only moderating variable between budgetary participation and performance is job-relevant information.

Fisher, Maines, et al. (2002) study the use of a single budget for both planning and performance evaluation and find that this provides incentives for subordinates to both increase effort and performance, as well as revealing private information. Single budget use may mitigate inefficiencies created by slack and capital rationing (cushioning/sandbagging). Transparency in the internal reporting system (i.e., revealing information about co-workers)

may reduce budget slack, but only when budgets are used for performance evaluation (Fisher, Maines, et al., 2002).

Similar to the potentially beneficial consequences of exogenous constraints in budget negotiations, Friis and Hansen (2015) come to the conclusion that the constraints a line-item budget imposes on an individual (in their case a film director) may protect the individual from negative aspects of passion, such as distorted thought processes, myopia, and weakness of will.

Use of budgetary reports is related to the managers' freedom and flexibility in dealing with provided information (Armstrong et al., 1996). Mouritsen (1996) shows how accountants mobilize calculative techniques to mediate exchanges between different organizational actors, and that understanding of technique application develops through appreciation of how techniques relate to specific organizational settings.

In a research paper on *continuous budgeting*, Frow et al. (2010) show how the integration of conflicting budget objectives with other management controls, managers were encouraged to use discretion in the face of complex and unexpected events. This flexibility enabled managers to prioritize and revise plans and resource allocation decisions to meet wider organizational objectives. The empowerment of managers came with an increase in accountability towards goal attainment, both for managers individually and for the organization as a whole (Frow et al., 2010). Charnes et al. (1976) also discuss how flexible budgets were used in business practice, as opposed to fixed budgets in the public sector, and how the flexible use of budgets may in fact increase managerial accountability.

In a mathematical modeling of coordination problems, Arya and Glover (1996) model relative performance evaluation as a way to discover private information from subordinates. However, using relative performance measures resulted in a tacit collusion problem, where agents work together to set low targets and provide low effort. This is an unstable equilibrium as both agents have incentives to provide high efforts to be relatively better evaluated than the

other. The awareness of tacit collusion problems due to relative performance measures is something BB researchers could build on when exploring relative performance evaluation with hindsight.

In a study of forecasting, Chen, Rennekamp and Zhou (2015) study the relevance of specific forecast design choices for forecast quality. They find that in the absence of performance-based incentives, disaggregated forecasts lead to better improvements in forecast accuracy. In the presence of performance-based incentives, disaggregated forecasts lead to greater forecast optimism, which is an unintentional bias in forecast quality.

Hansen (2011) mathematically shows how there are no *generic* impacts of introducing different budgeting alternatives (i.e., rolling budgets, activity-based budgeting, and BB). Instead, his research highlights the importance of identifying how specific changes will affect a given organization, and what area is most important for a specific organization to improve. There are complex interaction effects and unintended consequences from implementation, and successful implementation is far from guaranteed (Hansen, 2011). Similar to one of the takeaways on participation research, BB itself does not solve anything, but solutions are context-dependent and require case-specific investigations of interactions and behavioral consequences.

As one of the first empirical studies published about BB practice, Østergren and Stensaker (2011) show how the absence of budgets changes the relationship between corporate and division management, thus upsetting the existing lines of dependency between divisions. BB leads to structural and organizational changes, and, through decentralization, target attainment (how to reach targets) is democratized (Østergren & Stensaker, 2011). Through the dynamic resource allocation under BB, organizations may gain an increased focus on possibilities (rather than budget constraints), and this process provides more organizational flexibility as resources are available *on demand* (Østergren & Stensaker, 2011).

One study found that separating “target setting from planning is critical to eroding the legitimacy of traditional budgeting” (Henttu-Aho & Järvinen, 2013, p. 783), indicating that an oppositional view is required to change the institutionalized practice of budgeting. If this separation is not achieved, remnants of the “old” system may still characterize the somewhat simplified version of traditional budgeting (Becker, 2014; Henttu-Aho & Järvinen, 2013). Becker (2014) illustrates how budget abandonment may be an exercise in the deinstitutionalization of traditional budgeting practices through skillful agency, but also how budgeting practices may re-institutionalize, albeit in a slightly different form if budget abandonment is unsuccessful. Another study shows that a head of finance experienced with BB is a major catalyst for change, but that this may not be enough unless the initiative is grounded in “an appropriate business purpose that is shared by other powerful agents in the organisation, including its chief officers and the board of directors” (Valuckas, 2019, p. 102).

In her study of rolling forecasts and BB, Henttu-Aho (2016) shows how new budgetary practices enabled employees in controlling functions to develop new competencies. The organization needs to have enough flexibility in its bureaucracy to enable learning and improve organizational efficacy (Henttu-Aho, 2016). O’Grady, Akroyd and Scott (2017) suggest that organizations with different levels of environmental uncertainty may achieve sufficient adaptability with varying degrees of decentralization and changes to management structure, where non-budgeting is most suited to organizations facing very high levels of unpredictability.

Balancing control and flexibility is the main objective in a BB organization studied by Sandalgaard and Bukh (2014), and the authors show how this balancing act results in the organization maintaining line-item budgets to explain performance variance and to track deviations from plan. It is argued that the structure of an organization may affect the appropriateness of relative performance evaluations, and that target setting is decoupled from the planning systems. Most of the research on BB shows how organizations struggle with how

to handle the uncertainty of dynamic environments and complex organizational coordination (Bourmistrov & Kaarbøe, 2013; Henttu-Aho & Järvinen, 2013; Sandalgaard & Bukh, 2014).

4. Concluding Discussion

This paper aimed to add to our understanding of how TB and BB can be integrated into a unified research thrust on the evolution of budgeting and PMS studies. In particular, I have highlighted some areas where budgeting research has grown apart. Starting with problems with budgeting, the following section will accentuate where the detached literatures diverge and converge and present some prolific avenues for further investigation.

As BB research is considered to be fragmented, incoherent, and mostly about budget improvement initiatives (Nguyen et al., 2018), this review attempts to alleviate some of the concerns about an unconnected literature by establishing some common ground within the broader field. Specifically, I argue that in order to provide meaningful contributions, BB researchers must tear down the artificial divide between TB and BB. This current review, as well as Nguyen et al. (2018), reveals that both literatures are concerned with the behavioral consequences of management control. Thus, a more constructive alignment between research efforts is assumed to be beneficial.

In the eclectic review, a general discussion about budget critique and attempts at rectifying budgeting flaws constitutes the scoping of the succeeding systematic review. The findings in the systematic review are related to behavioral issues, such as slack, budget gaming, myopia, etc., and proposed solutions, such as participation and stretch targets. Further, the systematic review categorizes and synthesizes literature on coordination problems and organizational solutions to such issues.

As both the eclectic and systematic review identifies, the discussion of budget shortcomings is neither new nor homogeneous. Two areas (slack and participation) are further

discussed to bring TB and BB closer together, before a more general discussion on moving budgeting research forward and directions for future research is presented.

First, I address how organizations deal with *slack*, followed by a discussion on *participation* and the involvement of individuals in managerial work. Second, similarities and differences between traditional budgeting research and Beyond Budgeting research are discussed to systematize some of the main points from both literatures. Finally, I conclude by suggesting where BB may theoretically benefit from drawing on TB research, and where BB offers avenues for theoretical development.

Considering the objective of this paper is to enable better positioning of BB research, the study of problems with budgeting serves as an introduction to TB literature that is concerned with similar issues as emerging BB literature. Consequently, it is the review of proposed solutions and consequences for PMS that is the focus for the remainder of this paper. Departing from budgeting problems, the discussion of proposed solutions highlights where the dispersed literatures converge and diverge.

4.1. Dealing with Slack

Budgets are being used to control both resource spending as well as organizational members, and their failure to do so is multifaceted. Much research is concerned with how environmental uncertainty, task difficulty, and pressures to meet budgets incentivize workers to create slack (e.g., Chow et al., 1991; Waller, 1988). The building of budgetary slack is one of the main criticisms towards TB (Franco-Santos & Otley, 2018), and is consequently heavily researched within management accounting (Daumoser et al., 2018).

There are many reasons for building slack. One of them is that the budget is set (often a long time) in advance, and the uncertainties about future resource requirements drive people and departments to understate income expectations and overstate their cost expectations, to

make sure that they at least have enough resources available for doing their job and delivering as expected (Onsi, 1973). Pressure to meet budget increases the propensity to build slack and inspires gaming behavior (Lal et al., 1996), and this is particularly salient when pay is tied to performance targets (Chow et al., 1991).

In TB, the budget numbers are often considered to simultaneously serve as both a forecast as well as a performance target (Lyne, 1988; Schiff & Lewin, 1970; Searfoss, 1976). In BB, the separation of forecasts and performance targets is proposed as a way to reduce gaming behavior, particularly if the performance target serves as the basis for performance pay (Nguyen et al., 2018).

Nevertheless, pay for performance is generally discouraged in BB (Nguyen et al., 2018). Divorcing conflicting purposes does not necessarily improve organizational performance, as the budget games (i.e., negotiation) that arise may improve communication (Christiansen & Skærbæk, 1997), relieve pressures of work intensification (Uddin & Hopper, 2001), and improve subordinate coordination (Arnold & Gillenkirch, 2015). Hence, it may not be the case that separating budgets into forecasts and targets is sufficient.

From the discussion above, it is not clear that the untangling of conflicting purposes will solve issues in budgeting, and BB researchers should therefore study *how* organizations can deal with the negative consequences of slack without simultaneously stifling communication, coordination, and creativity. In this regard, traditional budgeting research (e.g., Davila & Wouters, 2005) can shed light on the facilitation of managerial flexibility in control systems.

4.2. Purposeful Participation

Participation is proposed as a way of dealing with misrepresentation, gaming, and slack building (e.g., Fisher et al., 2000; Onsi, 1973). However, the conditions for when participation

positively influences performance are abundant and confounding. Job involvement is one example of participation, and when organizational commitment is high, it appears that participation reduces slack, whereas the opposite is true when organizational commitment is low (Nouri, 1994). Thus, participation as a means in itself is not sufficient in dealing with adverse behavior.

Sponem and Lambert (2016) found that when participation and managerial involvement is high, budgets are less criticized. Hence, involving people in decision-making, target setting, etc. may reduce internal resistance. The long-term effect of participation is unknown, as some researchers have discovered that information about past performance is just as effective in reducing slack (Chow et al., 1991).

Negotiation is another aspect of participation, and involving organizational members in settling budget targets may reduce slack (Fisher et al., 2000). However, as many authors have shown, failed negotiations, negotiations ending in unilateral decisions, and ritualistic participation for legitimating purposes may have detrimental effects on performance, as well as introducing decoupling and hypocrisy into the PMS (Brunsson, 1993; Fernandez-Revuelta Perez & Robson, 1999; Fisher et al., 2000). If negotiations fail and a decision is reached unilaterally, the communication of a rationale for the subordinates' lack of involvement may have positive effects on performance (Libby, 1999).

Thus, when researchers, for instance, study BB organizations and radical decentralization, they could draw inspiration from extant research within TB to theorize about ways of facilitating participation and decentralization of decision power.

4.3. Make Budgeting Great Again – Similarities and Differences

The most obvious divergence in the literature is that TB studies focus specifically on some of the problematic aspects of budgeting, such as gaming, slack building, and misrepresentation,

whereas BB studies take a broader look at similar issues. TB research appears to be more concerned with isolating specific issues within budgeting and attempting to *improve budgeting*, whereas BB research takes a more holistic and processual view in which budgeting as a whole is considered flawed and needs to be *replaced* by a number of tools and mechanisms.

Still, it is not clear that BB is less invasive on an individual level (even though the most radical suggestion to abolish individual performance pay may have such an effect), and control may be even stricter under BB. With output controls, there is less opportunity to preemptively build slack, and this may increase pressure on performance. BB seeks to alleviate this somewhat through *hindsight*, but adding hindsight also reintroduces subjectivity and provides opportunities for post-hoc negotiations. Further, internal performance benchmarks provide many opportunities for internal competition, and it is not clear that this does not result in inter-departmental gaming behavior similar to the much-criticized budget games.

Considering the complex nature of organizational structures and business environments, *communication* may be one of the keys to discourage and reduce unwanted behavior such as gaming and slack building, as well as an important step in learning more between departments and functions in complex organizations. Participation, decentralization, and empowered employees only seem to work when the organization facilitates the thoughtful exchange of ideas, as well as sharing of successes and failures. Perhaps an underwhelming conclusion, managing performance, particularly in complex organizations and dynamic environments, is difficult. The search for the ultimate tool, the technique of philosophy leads to a variety of projects and proposed solutions, and these may be right for some organizations at a specific point in time and for a particular purpose, but as this review has illustrated, it is naïve to expect *one* perfect solution that works for all organizations over time.

Initiative, communication, and change itself may be the drivers of performance improvements, but these are probably not stable over time and space. The complexity of

performance management is not lost on us, and it may be useful to remind ourselves about the importance of context; “management accounting and other performance measurement practices need to be evaluated not just from an economic perspective, but from a social, behavioral and managerial perspective, within an overall organizational context” (Otley, 1999, p. 381).

Beyond Budgeting has long suffered from a problem with defining what it is. Often, the lack of definition leads us to a definition of what it is not, namely budgeting. I argue that this view is wrong and that BB is indeed part of budgeting. As this review has shown, BB and TB are concerned with many of the same issues and a number of the proposed solutions overlap. By defining BB from what it is not, BB is often (inadvertently) seen as the counterpart to budgeting (Libby & Lindsay, 2010), and BB becomes this *rebel youth* that intends to disprove all of TB. By doing so, practitioners and researchers run the risk of a couple of things.

First, many BB articles build on incorrect assumptions. The assumption that budgets are only bad, evil, or useless discards valuable knowledge from respected research over many years. Rather than starting from scratch, BB should look to previous research on budgets and identify from where it is possible to make constructive contributions to theory. If not, researchers risk kicking at an open door.

Second, by separating BB from TB, the community shrinks significantly and BB may remain a fringe area on the outskirts of mainstream budgeting and PMS research. This review has uncovered several areas in which BB may learn from TB, but it has also identified several ways in which BB may contribute to TB. Becker et al. (2016) argue that a discussion around different budget purposes such as planning, resource allocation, and performance evaluation may improve the untangling and understanding of management control practice and that rather than focusing on practice-defined concepts, researchers should debate objectively around changes to complex organizational phenomena.

Schiff and Lewin (1970, p. 260) offered some profound insight half a century ago; “participative advocates of management, just as the traditionalists before them, fail to consider the goal-directed nature of human behavior. The Taylorists neglected humans altogether, whereas the participative practitioners believe that all humans in organizations should be able to self-actualize”. In this paper, I argue that rather than engaging in a paradigm war between Beyond Budgeting and traditional budgeting, budgeting research as a whole, that is the process of budgeting involving human and organizational action (Covaleski et al., 2003), can be a strong contributor to wider PMS research if pulling in the same direction without being dogmatic.

4.4. Directions for Future Research

The most prevalent areas for future research are mentioned below. Previous (TB) research has shown that participation may both decrease and increase slack. Which insights may BB research provide to the participatory literature? Employee participation and employee empowerment seem to be closely related (Covaleski et al., 2003), but how are participation and empowerment linked, and where do they differ theoretically? Further, Slack may be both detrimental (sandbagging, departmental compartmentalization, etc.) and beneficial (flexibility, agility, creativity). How do BB organizations deal with the issue of slack, and is there a theoretical contribution to be made from this research?

The role of accountants as business partners and translators in multi-level communication (Henttu-Aho & Järvinen, 2013; Østergren & Stensaker, 2011) may also provide interesting avenues for further research. Lyne (1992) showed how accountants were driving participation initiatives, and the same is the case for BB (Nørreklit & Kaarbøe, 2013). Why do accountants drive these initiatives? Is it because they see the challenges up close and are the natural change agents for anything PMS-related? Or is it a fear of becoming obsolete, as tasks

(such as budget follow-ups, variance analyses, etc.) are automated and “mundane” accounting responsibilities wither?

Finally, research on how behavioral biases, such as myopia, may be dealt with through PMS design offers interesting opportunities for further research. For instance, a great deal of social psychology and behavioral economics research study the effects of “nudging” and choice architecture on decision-making (Thaler & Sunstein, 2008). When designing PMSs, what are the effects of data visualization, default settings, and transparency across organizations, departments, and individuals on use and performance?

In terms of where BB may contribute to TB, it seems the notion of stretch goals, relative performance measures with hindsight, and resources available on demand are areas that warrant deeper investigation. In BB, mental models and assumptions about the individual are argued to be different from TB. This review uncovers that previous researchers (e.g., Argyris, 1953; Hofstede, 1968; Schiff & Lewin, 1970) were also interested in these issues, but that is no reason to abandon further research into social relationships, mindset changes, and the importance of communication and continuous change initiatives. Franco-Santos and Otley (2018) also call for further research on improvements in the design and use of PMSs with emphasis on managerial mental models.

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Appendices

Appendix A - Complete Overview of Journals and Number of Articles Included

Journal name	Journal established	Articles in analysis (n=81) ⁵	Articles in search (n=1,005) ⁶	Articles overall (n=27,985)
<i>Accounting, Organizations and Society (AOS)</i>	1975	25 (19.69%)	127 (7.81%)	1,626
<i>Management Accounting Research (MAR)</i>	1990	15 (16.85%)	89 (14.26%)	624
<i>Accounting Review (TAR)</i> ⁷	1926	9 (7.90%)	114 (3.32%)	3,432
<i>European Accounting Review (EAR)</i>	1992	6 (24.00%)	25 (2.31%)	1,082
<i>Accounting and Business Research (ABR)</i>	1970	4 (9.30%)	43 (2.24%)	1,922
<i>Qualitative Research in Accounting and Management (QRAM)</i>	2004	3 (15.79%)	19 (9.14%)	208
<i>British Accounting Review (BAR)</i> ⁸	1969	3 (8.82%)	34 (4.38%)	776
<i>Journal of Management Accounting Research (JMAR)</i> ⁹	1989	3 (5.36%)	56 (10.92%)	513
<i>Journal of Accounting and Organizational Change (JAOC)</i>	2005	3 (17.65%)	17 (6.88%)	247
<i>Advances in Management Accounting (AMA)</i> ¹⁰	1992	2 (4.44%)	45 (20.09%)	224
<i>Contemporary Accounting Research (CAR)</i>	1984	2 (5.13%)	39 (2.55%)	1,528
<i>Abacus</i>	1965	1 (3.13%)	32 (3.37%)	951
<i>Behavioral Research in Accounting (BRA)</i> ¹¹	1989	1 (3.23%)	31 (6.77%)	458
<i>International Journal of Accounting (IJA)</i> ¹²	1965	1 (7.69%)	13 (2.29%)	567

⁵ Articles included in structured review. Percentages as a function of: Articles in analysis / Articles in search

⁶ Percentages as a function of: Articles in search / Articles overall

⁷ Scopus coverage: 1996-present – Manually processed 1968-1995 in EBSCOhost

⁸ Scopus coverage: 1988-present – No other databases with coverage either

⁹ This journal is not available in Scopus and was manually processed in EBSCOhost

¹⁰ Scopus coverage: 2003-2019 – No other databases (e.g., Emerald Insight) with coverage either

¹¹ Scopus coverage: 2009-present – Manually processed 1989-2008 in EBSCOhost

¹² Scopus coverage: 1996-present – No other databases with coverage either

<i>Journal of Accounting and Public Policy (JAPP)</i>	1982	1 (4.17%)	24 (2.77%)	867
<i>Journal of Accounting Research (JAR)</i> ¹³	1963	1 (2.78%)	36 (1.73%)	2,084
<i>Review of Accounting Studies (RAS)</i>	1996	1 (9.09%)	11 (1.53%)	721
<i>Accounting, Auditing and Accountability Journal (AAAJ)</i>	1988	0 (0.00%)	36 (3.87%)	930
<i>Accounting Forum (AF)</i> ¹⁴	1976	0 (0.00%)	12 (2.37%)	507
<i>Accounting Horizons (AH)</i>	1999	0 (0.00%)	10 (1.19%)	843
<i>Auditing</i> ¹⁵	1981	0 (0.00%)	16 (1.49%)	1,077
<i>British Tax Review (BTR)</i> ¹⁶	1956	0 (0.00%)	0 (0.00%)	67
<i>Critical Perspectives on Accounting (CPA)</i>	1990	0 (0.00%)	36 (2.58%)	1,394
<i>Financial Accountability and Management (FAM)</i> ¹⁷	1985	0 (0.00%)	109 (14.01%)	778
<i>Foundations and Trends in Accounting (FTA)</i>	2006	0 (0.00%)	1 (1.85%)	54
<i>Journal of Accounting and Economics (JAE)</i>	1979	0 (0.00%)	7 (0.59%)	1,182
<i>Journal of Accounting, Auditing and Finance (JAAF)</i>	1986	0 (-)	0 (0.00%)	432
<i>Journal of Accounting Literature (JAL)</i> ¹⁸	1982	0 (0.00%)	8 (2.40%)	334
<i>Journal of Business Finance and Accounting (JBFA)</i>	1974	0 (0.00%)	6 (0.42%)	1,413
<i>Journal of International Accounting, Auditing and Taxation (JIAAT)</i>	1992	0 (0.00%)	7 (1.80%)	390
<i>Journal of the American Taxation Association (JATA)</i> ¹⁹	1978	0 (0.00%)	2 (0.27%)	754
Total number of journals covered		31		

¹³ Scopus coverage: 1996-present – Manually processed 1968-1995 in JSTOR

¹⁴ Scopus coverage: 2004-present. EBSCOhost: 1999-2003 processed manually. No other databases with coverage.

¹⁵ Scopus coverage: 1996-present – Manually processed 1981-1995 in EBSCOhost

¹⁶ Only indexed in Scopus for the years 2019-2020. Establishment year uncertain.

¹⁷ Scopus coverage: 2014-present – Manually processed 1985-2013 in EBSCOhost

¹⁸ Scopus coverage: 2013-present – Manually processed 1982-2012 in ProQuest

¹⁹ Scopus coverage: 2003; 2007; 2009-present. Manually processed the remaining years in EBSCOhost

Appendix B – Articles in Systematic Review

Citation²⁰	Journal	TB / BB	BP²¹	BS²²	CP²³	OS²⁴
(Abernethy & Brownell, 1999)	AOS	TB				X
(Ansari, 1979)	AOS	TB			X	X
(Anthony, 1989)*	JMAR	TB		X	X	
(Aranda et al., 2019)	MAR	TB		X		
(Armstrong et al., 1996)	MAR	TB			X	X
(Arnold, 2015)	TAR	TB	X	X		
(Arnold & Artz, 2019)	AOS	TB			X	
(Arnold & Gillenkirch, 2015)	AOS	TB		X	X	
(Arya & Glover, 1996)	RAS	TB			X	X
(Balakrishnan, 1992)	CAR	TB				X
(Becker, 2014)	EAR	BB			X	X
(Becker et al., 2016)	CAR	T/BB			X	
(Bourmistrov & Kaarbøe, 2013)	MAR	BB	X	X	X	X
(Brownell, 1981)	TAR	TB		X		
(Brownell, 1982)	TAR	TB		X		
(Brownell & McInnes, 1986)	TAR	TB		X		
(Brüggen & Luft, 2011)	AOS	TB		X		
(Brunsson, 1993)*	AOS	TB		X		
(Bunce et al., 1995)	MAR	BB	X		X	
(Chandar & Miranti, 2009)	ABR	TB			X	
(Charnes et al., 1976)	AOS	TB			X	X

²⁰ * = Scoping and/or found through cross referencing

²¹ Behavioral Problems

²² Behavioral Solutions

²³ Coordination Problems

²⁴ Organizational Solutions

(Chen et al., 2015)	AOS	TB				X
(Chow et al., 1991)	AOS	TB	X	X		
(Christiansen & Skærbæk, 1997)	MAR	TB	X			
(Chwastiak, 2001)	AOS	TB	X			
(Cobb et al., 1995)	MAR	TB				X
(Covaleski et al., 2003)*	JMAR	TB				X
(Daroca, 1984)	AOS	TB			X	
(Davila & Wouters, 2005)	AOS	TB			X	
(Derfuss, 2009)	EAR	TB			X	X
(Derfuss, 2016)	BAR	TB			X	X
(Dunk, 1990)	AOS	TB	X	X		
(Ekholm & Wallin, 2000)	EAR	T/BB				X
(Fernandez-Revuelta Perez & Robson, 1999)	MAR	TB			X	
(Fisher et al., 2000)	TAR	TB			X	
(Fisher, Frederickson, et al., 2002)	AOS	TB	X	X		
(Fisher, Maines, et al., 2002)	TAR	TB	X			X
(Friis & Hansen, 2015)	QRAM	TB				X
(Frow et al., 2010)	AOS	T/BB				X
(Gordon & Sellers, 1984)	JAPP	TB				X
(Granlund & Malmi, 2002)	MAR	TB				X
(Gul et al., 1995)	ABR	TB				X
(Hansen, 2011)	EAR	BB				X
(Hansen et al., 2003)*	JMAR	BB	X	X	X	
(Hayes & Cron, 1988)	Abacus	TB	X	X	X	
(Helliard et al., 2002)	BAR	TB				X

(Henttu-Aho, 2016)	QRAM	BB				X
(Henttu-Aho & Järvinen, 2013)	EAR	BB		X		X
(Hirst & Yetton, 1999)	AOS	TB		X		
(Hoque & Hopper, 1994)	MAR	TB			X	X
(Jablonsky & Dirsmith, 1978)	AOS	TB			X	
(Lal et al., 1996)	IJA	TB	X			
(Lau, 1999)	BAR	TB	X			
(Libby, 1999)	AOS	TB		X		
(Libby & Lindsay, 2010)	MAR	BB	X		X	
(Lyne, 1988)	ABR	TB	X		X	
(Lyne, 1992)	ABR	TB	X	X		
(Marginson & Bui, 2009)	BRA	TB	X			
(Merchant, 1981)	TAR	TB				X
(Merchant & Riccaboni, 1990)	MAR	TB		X		
(Mia, 1988)	AOS	TB		X		
(Mia, 1989)	AOS	TB		X		
(Mouritsen, 1996)	MAR	TB				X
(Nguyen et al., 2018)*	JAOC	BB		X		
(Nouri, 1994)	AOS	TB	X	X		
(O'Grady & Akroyd, 2016)	QRAM	BB			X	
(O'Grady et al., 2017)	AMA	BB				X
(Onsi, 1973)	TAR	TB	X	X		
(Østergren & Stensaker, 2011)	EAR	BB	X	X	X	X
(Otley, 1999)	MAR	TB				X
(Sandalgaard & Bukh, 2014)	JAOC	BB	X		X	X
(Schiff & Lewin, 1970)	TAR	TB			X	X

(Searfoss, 1976)	AOS	TB	X	X
(Shields & Shields, 1998)	AOS	TB	X	
(Sponem & Lambert, 2016)	MAR	TB	X	
(Stammerjohan et al., 2015)	AMA	TB		X
(Van der Stede, 2001)	MAR	TB	X	
(Tiller, 1983)	JAR	TB	X	
(Uddin & Hopper, 2001)	AOS	TB	X	X
(Valuckas, 2019)	JAOC	BB		X
(Waller, 1988)	AOS	TB	X	X

Appendix C – Search Strings

Primary Search String (Scopus)

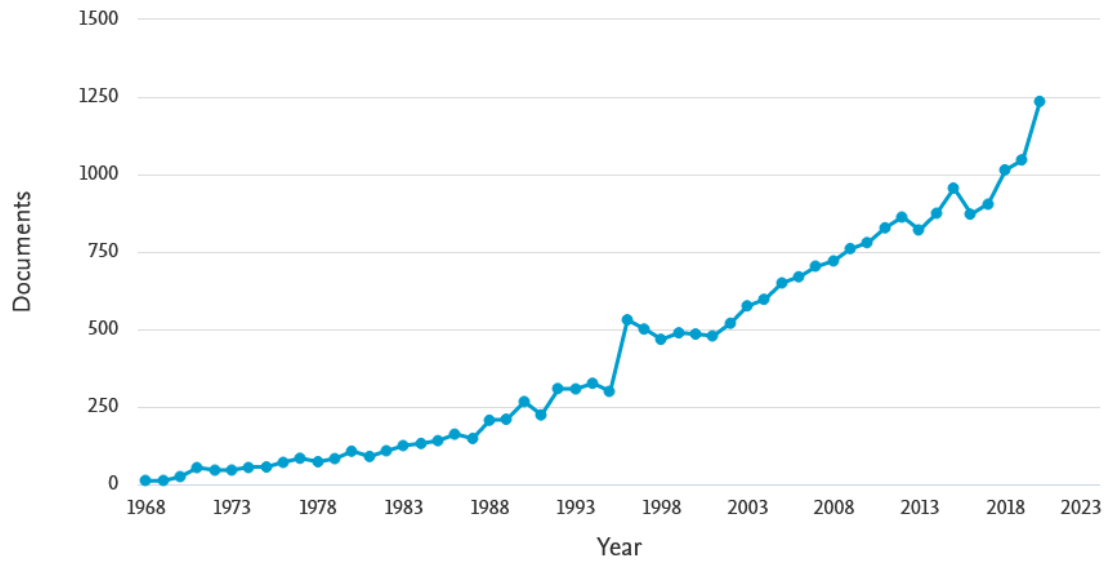
TITLE-ABS-KEY (budget*) AND PUBYEAR > 1967 AND PUBYEAR < 2021 AND (LIMIT-TO (EXACTSRCTITLE , " Accounting Auditing And Accountability Journal ") OR LIMIT-TO (EXACTSRCTITLE , " Abacus ") OR LIMIT-TO (EXACTSRCTITLE , " Accounting And Business Research ") OR LIMIT-TO (EXACTSRCTITLE , " Accounting Forum ") OR LIMIT-TO (EXACTSRCTITLE , " Accounting Horizons ") OR LIMIT-TO (EXACTSRCTITLE , " Accounting Review ") OR LIMIT-TO (EXACTSRCTITLE , " Accounting Organizations And Society ") OR LIMIT-TO (EXACTSRCTITLE , " Advances In Management Accounting ") OR LIMIT-TO (EXACTSRCTITLE , " Auditing ") OR LIMIT-TO (EXACTSRCTITLE , " Behavioral Research In Accounting ") OR LIMIT-TO (EXACTSRCTITLE , " British Accounting Review ") OR LIMIT-TO (EXACTSRCTITLE , " British Tax Review ") OR LIMIT-TO (EXACTSRCTITLE , " Contemporary Accounting Research ") OR LIMIT-TO (EXACTSRCTITLE , " Critical Perspectives On Accounting ") OR LIMIT-TO (EXACTSRCTITLE , " European Accounting Review ") OR LIMIT-TO (EXACTSRCTITLE , " Financial Accountability And Management ") OR LIMIT-TO (EXACTSRCTITLE , " Foundations And Trends In Accounting ") OR LIMIT-TO (EXACTSRCTITLE , " International Journal Of Accounting ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Accounting And Economics ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Accounting And Organizational Change ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Accounting And Public Policy ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Accounting Literature ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Accounting Research ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Accounting Auditing And Finance ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of Business Finance And Accounting ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of International Accounting Auditing And Taxation ") OR LIMIT-TO (EXACTSRCTITLE , " Journal Of The American Taxation Association ") OR LIMIT-TO (EXACTSRCTITLE , " Management Accounting Research ") OR LIMIT-TO (EXACTSRCTITLE , " Review Of Accounting Studies ") OR LIMIT-TO (EXACTSRCTITLE , " Qualitative Research In Accounting And Management "))

Secondary Search String (EBSCOhost – Business Source Complete):

JN "[Journal name]" AND (TI "budget*" OR KW "budget*" OR AB "budget*")

Appendix D – Total Publications per Year

Documents by year



Publications per year 1968-2020 (Scopus)

CHAPTER II

Dealing with Setbacks:

The Role of Hope in Changing Management Control Practice

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The purpose of this paper is to further develop the concept of hope in the accounting literature and explain how management control change proceeds, despite numerous setbacks. This paper investigates a previously neglected area where an organization continues to make efforts to implement a new management control practice, despite limited success. The paper develops a conceptual model of hope to demonstrate how management control change unfolds and influences the practices of accountants. Moreover, we apply the conceptual model to an illustrative empirical case. We find that hope plays an important role for accountants in the process of changing management control practice. We argue that the role of hope is to avoid apathy and despair and that ideals survive and generate action through sustained hope. First, we show how promises are used to promote ideals about the future. Second, we show how reframing techniques enable a revamping of change initiatives when setbacks ensue. In conclusion, we propose that unsuccessful attempts (i.e., setbacks) at changing practices do not have to result in reinforcements of old practices. Instead, resilient ideals allow ideas to be updated, which, through hope, can be a driver of continuous change initiatives. This is one of the first empirical papers on expressions of hope, setbacks, and management control practice change. The formulations of hopeful ambitions have generative powers that drive changes forward, even though ambitions are not immediately met.

Keywords: ideals; hope; management control change; reframing techniques; case study

1. Introduction

Then there is this thing about value creation. [...] It was a whole lot of number crunching and little value added. [...] We have a large program running now and that is what is going to take us into the future. (Corporate Controller)

In this paper, we develop the concept of *hope* in an accounting setting. We argue that hope is an important concept for understanding how novel management control ideas incrementally change management control practice. Hope offers a possible explanation for how management control practices are evolving, and why accounting and control change is unlikely to come to a halt. The concept of hope in organizations allows for theoretical reflections on the powers of affect and the possibilities they encompass for deepening our understanding of changing management control practice.

Accounting as an affective technology has been subject to increasing interest in extant research. For example, studies in accounting have addressed the relationship between accounting and emotions as a driver for change through passion (Baxter et al., 2019), confidence (Gendron & Bédard, 2006), fear and anxiety (Guénin-Paracini et al., 2014; Taffler et al., 2017), discomfort (Bourmistrov & Kaarbøe, 2013; Pentland, 1993), as well as creative engagement (Busco & Quattrone, 2015) and imagination (Boedker & Chua, 2013; Carlsson-Wall et al., 2016).

These studies help us understand how calculative technologies may mobilize emotions to influence action, yet there is a lack of studies focusing on how emotions (such as hope) instigate and sustain organizational transformations when introducing radically new management control ideas. Furthermore, most of the previous accounting and control literature theorizes emotions as an individual state. Instead, we build on the emerging stream of research seeing emotions as driving collective action (Baxter et al., 2019; Carlsson-Wall et al., 2020)

and circulating across, and between, individuals (Boedker & Chua, 2013) – in our case, a group of accountants.

This paper centers on the affective concept of *hope*, which has been described as an abstract, positive emotion, yet an “emotion on which all the other emotions of elation are grounded” (Kast, 1991, p. 135). Brunsson (2006, 2009) has made a substantial contribution to the mechanisms of hope in the organization literature. In recent studies, the relevance of hope and its connections with accounting is understood as a mechanism through which decisions are formulated, revised, and rationalized (Catasús et al., 2016; Mouritsen & Kreiner, 2016).

Even though previous studies argue for a relationship between hope and accounting change, the area is less developed in terms of what role hope plays in dealing with setbacks and organizational failures. The main purpose of this paper is to further develop the concept of hope to advance extant research on changes in management control practices (Becker, 2014; Becker et al., 2020; Goretzki et al., 2013; Henttu-Aho, 2016). In this regard, we develop a model for empirically studying hope and demonstrate that model using an illustrative case study.

Engaging with this gap in the academic literature and seeking to inform a practical challenge, we address the following two research questions: First, how can hope be further conceptualized and understood in the context of changing management control practice? Second, what role does hope play for management accountants in reframing ideals and sustaining action?

The empirical part of the paper addresses a major organizational change aimed at increasing management accounting relevance and the development of new control practices in MailCo. The change contains a promise of revitalizing management control practice in the organization, specifically the role of accountants as future-oriented business partners in value-creating activities.

The change initiative was based on ideas from the Beyond Budgeting (BB) philosophy (Hope & Fraser, 2003; Wallander, 1999), where the ideal¹ is to manage organizations and organizational actors on different parameters, with less (to no) emphasis on annual budgets. Continuous setbacks in MailCo's efforts to change their control practices do not stop the organization from moving forward, even when they fail to achieve what they set out to do.

We contribute to the literature on hope and its relationship to control practices (Catasús et al., 2016; Mouritsen & Kreiner, 2016), especially regarding the introduction of new management control models, by providing a theoretical model and an empirical illustration of how management accountants in MailCo create hope for themselves and the rest of the organization, even as they realize that the transformation is not unfolding according to plan.

In addition, our findings provide new insights into the management control practice literature (Becker, 2014; Becker et al., 2020; Goretzki et al., 2013; Henttu-Aho, 2016) by showing how the concept of hope relates to organizational transformation and new control practices. Unsuccessful attempts at changing institutionalized practices do not necessarily result in reinforcement of the old practices, instead, mechanisms of hope drive the change initiative forward, if only incrementally so. Hope is an instrumental feature of resilient change initiatives, and through forgiveness and forgetfulness (Mouritsen & Kreiner, 2016) learning and action contribute to the survival of the ideal.

More generally, we contribute to the contemporary debate about the essence of management control change and the management accountant's role (Boedker & Chua, 2013; Goretzki et al., 2013; Parker & Warren, 2017). We argue that management control change is much more than developing new techniques for decision-making and control. Our paper

¹ According to Merriam-Webster (n.d.), an ideal is a standard of perfection and 'something that one hopes or intends to accomplish'. An idea can be a synonym for an ideal, but ideas are also defined as 'plans for action'. The conception of 'ideal-types of management' dates back to Max Weber (1958) and the early 20th century.

demonstrates that management control change enables the imagination of a different future through mechanisms of hope and that the management accountant has an important role in creating and sustaining hope.

Previous literature has illustrated the successful transformation of control practices (Goretzki et al., 2013; Henttu-Aho, 2016). Our case study contributes by illustrating how setbacks are handled to move past failure. We show the important role hope plays in having management accountants (as a profession across business units) pull in the same direction when introducing new organizational changes.

The paper is structured as follows. The next section reviews the literature on hope and action, followed by research on changing control practices, directing attention to the need for accountants to be concerned about how they reflect on failures and setbacks. The third section offers a description of the research methodology. In the fourth section, we demonstrate the descriptive model using an illustrative case. Finally, in the fifth section, we discuss our findings and conclusions.

2. Theoretical Framework

In this section, we develop a conceptual framework of the role hope plays in introducing changes to management control systems. In our model, hope is driving organizational transformation, designed to move management control practices forward, as hope generates positive affect and action (Catasús et al., 2016; Ludema et al., 1997). The model also incorporates other related concepts, such as promises, forgiveness, and forgetfulness (Mouritsen & Kreiner, 2016).

We are interested in the role of hope in organizational transformation and changes in management control practices. When going through the literature we have identified that emotions have long been part of management control research (see for example Argyris, 1953;

Hopwood, 1973). More recently, there is an emerging stream of research that more explicitly focuses on emotions, and whether and how they influence calculative design and practice (Baxter et al., 2019; Bourmistrov & Kaarbøe, 2013; Carlsson-Wall et al., 2016; Carlsson-Wall et al., 2020; Hall, 2016). As previously stated, the focal point of this paper is not individual emotions. Nevertheless, albeit an abstract emotion, hope is thought to be an emotion upon which all other positive emotions are founded (Kast, 1991). In this paper, we focus on the consequences of mechanisms of hope for organizational change.

The section starts with a short review of literature on changing management control practices. Thereafter, the central concept of hope is theorized by drawing on an assortment of literature from accounting and organization theory to pastoral psychology. Finally, an illustrative model of hope and change is presented. The model is based on central concepts derived from the extant literature.

2.1. *Changing Management Control Practice*

In an early study, Lay (1928) wrote about the growth of the controller function in corporations and how that role corresponded with business-school education at the time. Anderson (1944, p. 64) described the controller function as more than mere “routine recording and checking of business transactions and the assembling and reporting of cut-and-dried factual data”, while Simon et al. (1954) classified accounting roles into *scorekeeping*, *attention directing* and *problem-solving* in their work on centralization versus decentralization in controller departments. This early work on management control implicitly relates to the role of hope and the importance of “imagination and perspective” (Anderson, 1944, p. 64) in controllership.

More recent studies have been concerned with the image and identity of the accountant, and the accompanying expectations about management accountants’ practices (Baldvinsdottir et al., 2009; Granlund & Lukka, 1997, 1998; Miley & Read, 2012; Parker & Warren, 2017;

Paulsson, 2012; Picard et al., 2014; Wolf et al., 2020). For instance, Baldvinsdottir et al. (2009, p. 858) investigate accounting software advertisements and show how the image of accountants changed “from bean counters to extreme accountants” over a few decades. Paulsson (2012) highlights management reforms and the adoption of novel management accounting tools as important drivers of change in the role of management accountants. Picard et al. (2014) demonstrate a cultural shift from professionalism to commercialism in the accounting profession. Parker and Warren (2017) explore accountants’ presentation of professional identity in their attempts to overcome stereotypes about the profession.

Most of the existing studies (e.g., Baldvinsdottir et al., 2009; Granlund & Lukka, 1997, 1998) adopt a broad perspective to show how the image and expectations of accountants have changed over time, whereas in this study we are concerned with a radical reform aimed at changing management control practice at the organizational level. A common denominator is that the literature is concerned with the relevance of the profession, and the hope that management accountants can influence organizations.

A few recent studies have explored the actual practices of management accountants and how their changing role in organizations alters control practices (Becker, 2014; Becker et al., 2020; Goretzki et al., 2013; Henttu-Aho, 2016). Becker et al. (2020) discuss how core and peripheral actors have different motivations for accounting innovations and change, and that core actors (such as accountants) often envisage more radical frameshifts than peripheral actors. Goretzki et al. (2013) analyze the institutionalization of the business-partner role by focusing on the micro-processes and institutional work conducted by a powerful change agent – a new CFO. Their main finding is that the case firm they study carried out three interrelated kinds of work to support the institutionalization of the new role of the management accountants:

- (1) legitimising the new “business partner” role,
- (2) (re-)constructing the management accountants’ role identities, and
- (3) linking the intra-organisational level with an

institutional environment in which external actors aim to achieve changes in the management accountants' role on a broader societal level. (Goretzki et al., 2013, p. 41)

Henttu-Aho (2016, p. 48) shows that the introduction and implementation of rolling forecasts in an organization turned controllers into “experts in producing and delivering realistic, forward-looking information in the organization”. Hartmann and Maas (2011) explore the impact of uncertainty and the use of the budgetary system on the role of business-unit accountants. They argue that there are complementarities between budgetary systems and the role of management accountants. Other studies have demonstrated that, at times, management accountants do not live up to operational leaders' expectations, and are consigned to providing useless and ritualized information (Morales & Lambert, 2013).

As indicated by these studies, changes in management accounting and control systems have implications for the practices of management accountants. However, organizational changes rarely unfold according to plans or intentions (Brunsson & Olsen, 1997) and even though change initiatives are set in motion, accounting often “becomes what it was not” (Hopwood, 1983, p. 289).

Some authors have challenged the premise that organizational reforms are based on a strong belief in the possibility to “change organizational structures, processes and ideologies from above and by rational choice and design” (Brunsson & Olsen, 1997, p. iii). According to Brunsson (1990), organizational decisions play at least one of the following roles: 1) mobilize action, 2) distribute responsibility, and 3) provide legitimacy. Brunsson (2009) claims that reforms are expressions of hope, while Catasús et al. (2016) study the role of hope in the realization of an accounting program, which can be understood as a reform. As decisions are an innate part of organizational change and given that an understanding of reforms will continue to be of importance to those wishing to understand modern organizations (Brunsson & Olsen, 1997), we proceed to elaborate on the concept of hope and its relations with management

control change, promises, the willingness to forget and forgive, as well as revising the past and re-envisioning the future.

2.2. *Theorizing Hope*

Based on previous research, we have identified a need for more research on the relationship between hope and management control practices. In our case, we focus on how the positive emotion of hope influences the progression of management control change, despite continuous setbacks. In doing that, we do not only relate to psychological literature but also to theological. Authors within accounting have introduced the concept of hope as a mechanism through which decisions are formulated, revised, and rationalized (Brunsson, 2006, 2009; Catasús et al., 2016; Mouritsen & Kreiner, 2016). Hope is also a prominent concept in theology and pastoral psychology (Capps, 1995), the field of psychiatry (Clarke, 2003), as well as in organizational theory (Carlsen et al., 2011; Ludema et al., 1997).

In its basic form, hope is a concept that is fundamental to human life. Brunsson (2006, 2009) references Capps' (1995) theological approach to the concept of hope and cites the Bible and St. Paul in his description of hope and its relationship with uncertainty: "Now hope that is seen is not hope. For who hopes for what he sees? But if we hope for what we do not see, we wait for it with patience" (Romans 8:24-25, English Standard Version). Extant literature establishes that uncertainty is a necessary condition for the existence of hope (Carlsen et al., 2011; Golden-Biddle & Correia, 2012; Ludema et al., 1997). When outcomes are certain, there is no room, or need, for hope. In psychiatry, Clarke (2003) acknowledges that hope is commonly associated with religious discourse, but argues that it is a fundamental concept for human beings that involves a belief about uncertain things accompanied by an expectancy or conviction. This coincides with Capps' (1995) notion of hope as a combination of prediction and desire.

Capps (1995) illustrates what he views as the three major threats to hope: *despair*, *apathy*, and *shame*. He also outlines the three major allies of hope: *trust*, *patience*, and *modesty*. According to Huy (2011), hope buffers against apathy and depression. Moreover, Capps (1995) provides two distinct reframing techniques that he suggests as tools for encouraging hopefulness and, thereby, avoiding despair. The first technique involves *envisioning the future*, while the second entails *revising the past*. Capps (1995) argues that these two techniques are particularly valuable for *creating and sustaining hope* because they are opposites on a temporal spectrum in which both the future and the past are reframed. According to Capps (1995), agents of hope are instrumental in building hope through reframing techniques and by protecting against the major threats to hope.

Research on hope in organizations is considered underdeveloped (Carlsen et al., 2011) but Brunsson (2006) represents one of a few notable exceptions. Brunsson (2009) claims that reforms are expressions of hope – hope for a transformation of ideas into practices, hope for a rational organization, and ultimately, hope for a better, more efficient future. More precisely, the *decision* to undertake reform, or initiate radical accounting change, expresses the hope of *turning ideas into action* – actions that reflect ideals and principles (Brunsson, 1993, 2009). Brunsson's comprehensive work (e.g., Brunsson, 2009; Brunsson & Olsen, 1997) on reforms and organizational decision-making underscores the difficulties of change processes, and he concludes that organizational changes are ongoing and sometimes never-ending processes that eventually turn into routine administrative practices. Van der Steen (2011) underscores that routines are embedded in complex social interactions that create order but that routines may also incite change in the routines themselves which leads to variations in practice.

In the accounting literature on hope, Catasús et al. (2016) provide a detailed account of the three phases experts went through when developing performance indicators for a health initiative in Sweden. The first phase involved naïve hope in accounting, which led to action. In

other words, accounting affected action, while management through accounting was able to produce the desired outcome. In the second phase, Catasús and his colleagues (2016) show that the experts temporarily lost hope in accounting when the causal relationship between accounting (i.e., performance indicators) and action was challenged. Finally, hope was restored in the third phase, during which a transformation of the naïve hope and the questioning of causality culminated in a reflective hope that performance indicators have the potential to be valid, accurate, and relevant, ultimately leading to incremental, but uncertain, steps towards the desired action (Catasús et al., 2016).

Mouritsen and Kreiner (2016) are also contributors to this area when they discuss hope as an outcome of decisions as promises. They use forgetfulness and forgiveness in a way similar to Capps' (1995) descriptions of the two reframing techniques of revising the past and re-envisioning the future. According to Capps (1995), revisioning allows us to place the past in a new frame of meaning (i.e., learn from previous experience), and learning is enabled through forgetting (Mouritsen & Kreiner, 2016). Further, when the past “is no longer ‘the source of our problems’ but the “resource for solutions”” (Capps, 1995, p. 170), we can envision a different future. This coincides with Mouritsen and Kreiner's (2016) argument that forgiveness enables action.²

Mouritsen and Kreiner (2016) present a novel perspective on the relationships among accounting, managerial work, and decision-making, as they view decisions as something more than the end product of a decision-making process.

They conceptualize a decision as a *promise* that produces both a prediction about and a hope for, the future. Decisions as promises take into account the uncertainty about the future

² Influential philosophers Hannah Arendt (1958) and Paul Ricoeur (2004) provide foundations for the concepts of forgiveness and forgetfulness. For example, the concepts have been used to explain how humans move on after conflicts of war.

and thus require both forgetfulness and forgiveness (Mouritsen & Kreiner, 2016). *Forgetting* is necessary because any decision involves reducing complexity by focusing on agreed-upon and prescribed concerns at the time of decision-making. In other words, it is about forgetting all other concerns that may confound or interfere with action (Mouritsen & Kreiner, 2016). *Forgiveness* is required in order to move on and allow for decisions to be revised as reality unfolds and new circumstances emerge (Arendt, 1958). Hence, forgiveness allows for revisions of the past (Capps, 1995) or the avoidance of practical experience (Brunsson, 2006), whereas forgetfulness allows us to simplify, adjust and re-envision the future (Capps, 1995; Ludema et al., 1997).

Mouritsen and Kreiner (2016) relate the concepts of hope, decisions, and promises to a wider discourse in the contemporary era of knowledge economies. The notion of a *promissory economy* originates from the field of research based on the sociology of biosciences and bioeconomics (Haase et al., 2015; Martin, 2015). Literature on the promissory economy (e.g., Martin, 2015) distinguishes between *regimes of truth* and *regimes of hope*. Whereas regimes of truth are concerned with what is known in the present, regimes of hope require a belief in the future rather than an investment in the present. Thus, *expectations* play a key role in the development of, for example, new technologies, artifacts, and organizational forms. The performative role of, for example, expectations could also have a role in creating hope in organizations (Ludema et al., 1997).

One conclusion drawn by Catasús et al. (2016) is that practitioners seem to accept the fact that organizational changes are rarely realized exactly as they were intended. This acceptance of unintended consequences and *unattended hopes* (Catasús et al., 2016) accentuates the importance of forgiveness for *broken promises* in decision-making (Mouritsen & Kreiner, 2016).

Without forgiveness, hope would wither, thereby dooming further progress, and sending decision-makers into hopelessness and apathy, which are arguably less desirable than imperfect actions. Forgiveness is not necessarily explicit, but it is a prerequisite for moving on, whether it is forgiving oneself for being too optimistic or forgiving someone else for not taking into account the complexities and uncertainties about the future. Mouritsen and Kreiner (2016) claim that the abandonment of a search for a technically reliable model of the world represents a case of forgetting, which is an interesting parallel to Catasús et al.'s (2016, p. 405) notion of reflective hope, where experience-based hope involves accepting "that the ideal outcome of an act may not be reached."

In summary, we know from both the psychology and the theology literature that hope positively influences action. Hope helps individuals when experiencing uncertainty, and through *envisioning the future* and *revising the past*, hope inspires action. However, hope can also be threatened by despair, apathy, and shame which indicates that hope is not easy to create and sustain.

Within the existing research in accounting, Catasús et al.'s (2016) paper is the only empirical accounting paper that explicitly discusses hope. These authors examine the role of hope in realizing a program that aims to develop non-financial indicators and increase workplace health. Thus, their research is concerned with the construction of an accounting technology or, in other words, hope for the technology itself. Catasús et al. (2016) focus on three hope-related concepts (naïve hope, hopelessness, and reflective hope), as they add these concepts' connectedness to three facets of uncertainty (validity, accuracy, and relevance).

Our paper, although building and expanding on Catasús et al. (2016), takes a somewhat different approach to studying hope. Rather than studying a specific technology, this study empirically illustrates the ongoing efforts of management accountants in MailCo to change the broader management control practices.

2.3. *An Illustrative Model of Uncertainty, Hope and Organizational Change*

We will now answer our first research question: *How can hope be further conceptualized and understood in the context of management control change?*

Several important concepts relate to hope. In this regard, Figure 1 offers an illustrative model that connects these concepts and illustrates the role of hope in reframing ideals and sustaining action. The purpose of the model is to facilitate and structure the analysis of the empirical case study.



Figure 1. Hope and Reframing of Ideals

Most fundamentally, the presence of *uncertainty* is a prerequisite for hope (Capps, 1995; Carlsen et al., 2011; Ludema et al., 1997). Uncertainty implies that any given *decision* is made as a more or less credible promise. When a decision is made as a promise, it produces both a prediction and hope (Mouritsen & Kreiner, 2016). This hope is a combination of prediction and desire (Capps, 1995; Clarke, 2003), and it helps to promulgate the idea of a better future by

activating realistic imaginations of the future (Brunsson, 2009; Ludema et al., 1997).

Novel management models offer the potential to create optimism in organizations, at least initially. Management control models and accounting techniques, such as balanced scorecards, ABC, and JIT, are often promoted as solutions to organizational problems. Some authors (Busco & Quattrone, 2015; Quattrone, 2017) discuss how accounting practices impart hope in users, and that accounting visualizations may motivate and engage. Huy (1999) argues that hope may be instilled through encouragement. In Figure 1, the imaginations of such models and techniques become the *ideal*, the promise which shall be realized in the future. Hope makes the *true* world seem realistic in the future (Brunsson, 2009). The ideal is also a plan for action (i.e., an idea), and the generativity of hope instigates *change* (Ludema et al., 1997).

The inescapable unreliability of promises leads to unintended consequences, setbacks, and disappointments (Catasús et al., 2016; Mouritsen & Kreiner, 2016). As the future becomes the present and a prediction appears to have failed (it became what it was not), hope serves as a *self-defense* mechanism to avoid apathy, shame, and despair (Capps, 1995) and through reframing stabilizes our beliefs and assumptions. *Revising the past* (Capps, 1995) is an exercise of forgetting (Mouritsen & Kreiner, 2016) and avoiding practical experience (Brunsson, 2006), which enables learning (Mouritsen & Kreiner, 2016). The rewritten past rationalizes setbacks as learning opportunities that give rise to a reflective hope (Catasús et al., 2016) of being forgiven (Mouritsen & Kreiner, 2016). Forgiveness for past transgressions creates space for new hope to emerge. Through a *re-envisioning*, or re-imagining, of the future (Capps, 1995; Ludema et al., 1997), actors are allowed to make new promises (i.e., decisions) and thus sustain the hope of action (Capps, 1995; Catasús et al., 2016; Mouritsen & Kreiner, 2016), thereby refueling the process.

If forgiveness is not achieved, the initial promise must have been considered to constitute an *empty promise* – a promise that was worthless, meaningless, or never meant to be

carried out. In such a case, the promise does not produce hope. That lack of hope may lead to apathy, shame, and despair (Capps, 1995), which breaks the circle. Convincing promises may also fail in execution (and often do), but forgiveness is possible because the promise gave rise to hope and action. Even though that hope did not inspire the intended action, the prediction was genuine, and forgiveness allows the promise to be revised and, hence, the future to be re-envisioned. Consequently, even failed attempts at change may generate new attempts at change, as long as the hope of a better world is sustained. Thus, a study of resilience and the surviving of ideals appears to be an appropriate extension to the scant literature on hope and change in management control.

Figure 1 answers our first research question and summarizes the reasoning by illustrating the hope-inducing factors in the course of an organizational change process from making a promise (decision) to a potential restart through updated promises and visions of the future.

As uncertainty is a necessary condition for the existence of hope, it is placed at the center of the conceptual model. Hope is the generative engine (Golden-Biddle & Correia, 2012) that drives the change initiative through all stages, as hopeful images of the future are “powerful catalysts for change and transformation by mobilizing the moral, social, and relational energies needed to translate vision into reality and belief into practice” (Ludema et al., 1997, p. 1025). Without uncertainty, there is no hope, and without hope, the cycle is broken.

3. Empirical Setting and Research Methods

In this section, the case organization is introduced, and the methodological choices are outlined.

The case organization is referred to as MailCo which has been undergoing major organizational and accounting changes for a long time. In recent decades, MailCo faced enormous changes in its business environment in terms of large-scale downsizing and

decreasing volumes within an industry in which it had previously held a monopolistic position. The organizational changes were inspired by ideals and models from Beyond Budgeting and aimed to transform the management accountant from a traditional scorekeeper into a future-oriented accountant-entrepreneur. MailCo struggled with the changes and experienced limited success and multiple setbacks. But instead of giving up, MailCo insisted on moving forward, which led us to explore the role of hope in the *process* of accounting change.

3.1. History and Background

At the time of the primary empirical work (2016), MailCo was a large, state-owned mail and logistics corporation in Scandinavia with approximately 19,000 employees, of which only 500 were located outside the Nordic countries. With annual revenues of approximately USD 3 billion, it was one of the largest companies and one of the largest employers in its home country. MailCo was organized in two segments (Mail and Logistics) with four business units/divisions (Mail, Logistics National, Logistics International, and eCommerce/online shopping). In 2009, MailCo not only decided to introduce a Beyond Budgeting-inspired management control system but also quite radically decided that 2010 would be the first year without annual budgets on a corporate level. This transition was the original motivation for this study.

Established in the seventeenth century, MailCo has close to 400 years of experience in the distribution of mail and packages. MailCo was privately run for 72 years before the state assumed ownership in the early eighteenth century. MailCo remained an administrative agency of the government until it was converted into a special-law company in 1996. The conversion was a result of growth and structural changes in the marketplace. Its development was dominated by new technologies (e.g., email), new services, changes in customer preferences, and increased competition and internationalization.

In 2002, the government decided to make the organization an ordinary limited liability company in which the state maintained full ownership as the sole shareholder. At the time of the study, MailCo operated in a fully competitive market and had no remaining monopoly power. The distribution of letters weighing less than 50 grams was the last monopolized service to be exposed to competition, which occurred on 1 January 2016. Still, MailCo remained obligated to deliver mail to all addresses in its home market. As such, MailCo provided economically unviable services, and much of its success hinged on its ability to secure governmental purchases of unprofitable products and services.

Recent public reforms and the privatization of MailCo had significant implications for its organizational structure, strategic focus, and operations. Historically a government service provider with monopoly power, MailCo had to deal with radical changes in its framework conditions. Digitalization is viewed as the toughest challenge for companies in the mail-distribution industry and the volume of letters handled by MailCo was almost halved (48% decline) between 2000 and 2015. The rate of the decline was expected to increase in the years to come, with a total estimated further decline of 36% between 2015 and 2020.

We study the push towards a BB-inspired management model, specifically focusing on how management accountants at different levels and units in MailCo view and interpret the changes, achievements, and setbacks during a long implementation period. We illustrate how control was practiced and conceived in MailCo, and the expressions of hope in this process.

3.2. *Research Methods*

The initial motivation for the research project was the opportunity to study an organization that sought to implement a management control model based on the BB philosophy. In particular, we wished to study the implications of a radical change in management control systems for management accountants. Early on in our empirical work, it became apparent that the case

organization viewed the change initiative as somewhat unsuccessful, which shifted our focus to why the organization continued its change-related efforts. We investigate the role of hope by capturing *expressions of hope* in MailCo when examining past and ongoing experiences with change. Respondents do not necessarily talk explicitly about hope when discussing change initiatives, but we show examples of how they mobilize reframing techniques to sustain momentum.

The fieldwork was primarily conducted from April 2016 through October 2016, with a total of ten days spent within the organization, consisting of an initial one-day visit and three subsequent three-day visits. Data were collected using different methods; interviews (face-to-face, phone, and video), participating observation, and secondary data. We strived to accrue longitudinal data by asking process questions predominantly from respondents with long careers (10+ years) in MailCo, probing into past change initiatives, reading historical documentation, and so on. We went back into the organization on multiple occasions and even followed up after four years (October 2020) to get the most recent update on the changes from the most central respondent in our study. A total of twelve semi-structured interviews lasting between 30 and 90 minutes were conducted. Interviews were recorded and transcribed.

In addition to the formal interviews, the researcher on-site engaged in informal conversations with MailCo employees. Moreover, several debriefing sessions held with the main contact during the data-collection period offered valuable insights into the organization and generated secondary data sources for further analysis. The researcher responsible for data collection was provided with a desk in MailCo's finance department, where internal documents were reviewed when not conducting formal interviews. This enabled the researcher to observe the daily work of finance personnel, as well as participating in informal communication, and obtaining a deeper understanding of the individual and shared emotions in this particular part of the organization.

During the primary data collection period, MailCo's CEO resigned and there was a lot of tension in the finance department concerning the next CEO, which provided an interesting opportunity to assess the emotions of key actors in the ongoing reform initiative. The data collecting researcher also took part in discussions and lunches with finance department employees. Field notes and personal reflections were logged during the visits to MailCo. The observational notes describe informal talk among the interviewees, as well as between the interviewees and the researcher.

Finally, a substantial part of the empirical work consisted of large secondary data set in which reviewing internal documents, such as board meeting minutes and confidential presentations, as well as publicly available information about MailCo, such as annual reports, public presentations, government reports, books written about the company and several newspaper articles. These secondary data were corroborated by statements made by interviewees to develop a coherent and plausible story about past and ongoing change initiatives in MailCo. The reading of secondary data also allowed the researcher to dig deeper into the accounts given by interviewees, which unearthed deeper feelings of, for instance, disappointment and hope.

The data analysis was carried out abductively by moving back and forth among empirical data, theoretical concepts, and extant research until we were able to present a theoretically meaningful narrative that makes a distinct contribution to the literature (Lukka & Modell, 2010). The initial interviews revealed more general concerns about uncertainties related to MailCo, its environment, and implications for its management accountants. In later interviews, we focused on MailCo's accountants (i.e., corporate), and how they experienced previous and ongoing change processes. In particular, we tried to understand why and how the current control reform kept moving forward even though the organization viewed the initiative as unsuccessful. At the same time, we read the existing literature, which suggested this could

relate to the concept of hope. Hence, in this paper, we examine the role of hope in a change initiative that explicitly addresses the role of management accountants and their future-orientation.

Lukka and Modell (2010) argue that the validity of an interpretive study is best assessed in terms of the authenticity and plausibility of its analysis. We have tried to achieve authenticity by including several examples of how MailCo tried to implement a change at different points in time, its interpretation of disappointment and failure, and its attempts to change a present setback into a future success. With regards to plausibility, we continuously refined our interpretations of the empirical material by drawing on existing theoretical concepts in the area of hope and promises.

4. Empirical Illustrations of Changing Management Control Practice

In the following, the empirical discussion revolves around the theoretical framework we developed earlier. The framework is visualized as a loop to illustrate how setbacks are countered by the allies of hope, and how a hopeful discourse allows the seemingly failing change initiative to develop and progress incrementally and evolutionarily.

We focus on the future-orientation of the management accountants' work, and we illustrate how hope played a part in management accountants' development of new practices and in ensuring that the change initiative kept moving forward. In particular, decentralizing decisions, organizational power dynamics, and the pervasiveness of uncertainty in management accountants' work are central in the empirical study.

4.1. From Naïve Hope and Technical Focus to Reflective Hope and Organizational Development

In 2009, MailCo decided to draw inspiration from *Beyond Budgeting* and abandon the

traditional annual budget. Initially, this idea was set in motion by the Group CFO [current CEO] with a small number of corporate controllers. Officially, MailCo never used the term Beyond Budgeting for their change, but it was inspired by the underlying philosophy as well as organizations that were members of the Beyond Budgeting Roundtable. Considering the conceptual ambiguity regarding what Beyond Budgeting really is (Nguyen et al., 2018), and the elasticity of the concept, we treat this change initiative as a move towards Beyond Budgeting. Interviewees in MailCo also use the term Beyond Budgeting from time to time, so it is clear that many of the involved actors view this as a BB initiative.

4.1.1. Ideal: Future-Oriented and Business-Minded

The adoption of this novel management philosophy was expected to help MailCo achieve its long-standing goal of becoming future-oriented and business-minded (#1-1), as many of the accountants saw themselves as adding little value to the organization (#1-2). Internal and external presentations from these early days of BB make it clear that MailCo viewed BB as a solution to many of its problems, and many figured it would be a quick and simple fix. In an informal conversation, one of the key actors in the BB project spoke about how MailCo observed other organizations and their reinvigoration of the management control function, which they discussed at different professional forums and conferences. These external inspirations (and propagators) of BB served as agents of hope that change agents within MailCo aspired to emulate:

And we set things in motion quickly, buying into the problems with annual budgeting. It's almost like a religious debate. That former General Electric CEO [Jack Welch] has a lot of good stuff. [...] And we had Bjarte Bogsnes [Chairman of Beyond Budgeting Roundtable] come tell us about Beyond Budgeting. (#1-2, Controller)

In MailCo, the implementation of BB principles was expected to solve issues with budget

gaming and to separate the forecasting process from performance evaluations and bonuses:

We should be able to constantly update our forecasts, on a daily basis. (#1-11, SVP)

The decision entailed a promise to leave retrospection and detailed analyses in the past, and the ideal was to become forward-looking, dynamic, and focus the organization on the future (#1-12).

4.1.2. Change in Alignment of Strategy and Operational Activities

Internal documents and presentations show that MailCo presented the new model as a solution to problems with coordination, data collection, management, and sub-optimal business situations. The new model was said to strengthen the link between strategy and action in MailCo, and the alignment processes were expected to ensure efficiency and agility. The model was discussed by the board, the top-management group, and employees in controller departments and various business units. Discussions in business forums, both internally and externally, demonstrated that MailCo was serious about building a management control system that operationalized strategy, set the direction for the future, and added value through streamlining and attention direction. This was all part of the enduring decentralization initiative, which was driven by increased competition, an emphasis on revenues rather than costs, and general concerns about an uncertain future.

In the early days, the most prominent and tangible change was the removal of the annual budget and the introduction of rolling forecasts in MailCo:

We started with rolling forecasts. (#1-1, Controller)

The decision to abandon annual budgets was surprisingly frictionless and interviewees attribute this to the general perception of weaknesses in the budgeting process. Further, the initiative came from the accounting and finance environment, which secured support with other

accountants across business units in MailCo:

There were some concerns from the business units, that we had very comprehensive budget processes that took a lot of time. [...] They [headquarters] quickly obtained support from us in the business units. (#1-3, CFO)

After securing support for the change, MailCo spent a long time trying to find the best way forward for forecasting.

4.1.3. *Setbacks in Changing Control Practice – Focus on Technical Details*

As time passed, it became clear that MailCo was not achieving its expectations for several reasons, including a lack of top-management support and a failure to change the mindsets of management accountants in the organization. The budgets remained an integral and central part of MailCo's management control practices. In fact, most of the interviewees struggled to see the difference between forecasts and budgets:

The difference between the two [budget and forecast] seems academic. (#1-5, CFO)

Then you have the overall budget, or *forecast*, which is what we are supposed to be calling it. (#1-3, CFO)

When fall arrives, we set up a forecast. But what we are really doing is locking in a budget! (#1-4, CFO)

The issues arising were partly due to ambiguous management support. Officially, corporate management was fully on board with the changes, however, formal conversations revealed that one problem with removing budgets and detailed reports was that the CEO loved details. Furthermore, the rolling forecast process was undermined by governance issues, as the board interfered with business-unit forecasts:

In the autumn, we sometimes have had to do penalty laps to achieve alignment with what is supposed to be the board's version in December. This is because the board locks in the budget, at least from my perspective. (#1-3, CFO)

Everything is reporting here. [Departing CEO] loves reports. They love to read. The more the merrier. Preferably 1,000 pages to corporate management. No bullet points, all in long-form. (#1-11, SVP)

The indirect lack of top management and board support destabilized the management accountants' work on predicting the future, and forecasts were no longer predictions about likely outcomes but rather negotiated targets for a given period. The negotiations have the potential to displace the prediction and desire components of promises:

And then we settle on delivering the same [forecast] as last period. Until we receive new information. (#1-6, Manager)

Another perceived setback is the failure to become more flexible and dynamic but falling back into a focus on technicalities and details. Controllers are spending an inordinate amount of time and resources on these forecasts, without necessarily seeing any returns in terms of value:

I think the challenge in our company is that we have a way too comprehensive data capture, too many reports, and then we don't know what is really important and what to use. (#1-11, SVP)

In retrospect, I believe we got hung up on rolling forecasts, details, and technicalities. We were too focused on the technical. (#1-12, Controller)

In practice, we are working with forecasts all year round. We are never done. It is extremely demanding, in terms of effort [versus value]. You never get to do what you should really do. (#1-4, CFO)

With a lot of attention directed towards the technical details of forecasting, MailCo ended up spending a lot of time discussing the number of forecasting periods, what to include in forecasts,

how often to update them, and so on:

The “end-of-year syndrome” was brought into our forecasting processes. We quickly moved towards four budget processes every year, instead of becoming more dynamic. (#1-12, Controller)

In practice, we have three forecasts every year now. No one cares about the one in February. They may care a little more about the one in May. Then we put ten times the effort into the September forecast... because it is a budget! (#1-11, SVP)

We have three forecasting periods. After a lot of back and forth. We started with four, but we ended up with a lot of discussions about what and when to deliver. (#1-2, Controller)

In addition to the setbacks with regards to forecasting, MailCo also struggled with following through on the flexibility in decision-making and resource allocation. Even though they tried to allocate resources based on business cases and net present value-calculations of projects, a stringent framework remained. Controllers lost power as the focus shifted towards detailed reporting over valuable decision support, and some did not see real change in how they worked:

There are very strict limits to our mandates. (#1-3, CFO)

After removing budgets, controllers have lost their power. (#1-8, Manager)

We are working with the same things we have always worked with. (#1-10, Manager)

The leader of the corporate controlling unit was presented with some of the disconnects between early promises about dynamism and flexibility, and the enduring issues around rigidity and focus on details. Retrospectively, they explained why the initial presentations were not representative of a realistic change process:

I was the one who made that presentation, but it’s all bull\$**t! It is the kind of stuff you write in a memo because it sounds good, but it is just copied from some slides made by management consultants at some point in time. (#1-11, SVP)

Distancing themselves from the setback allows them to rationalize the preceding process and instead focus on what they learned underway.

4.1.4. Revising the Past – Rationalizations and New Plans

Setbacks, such as those presented in the previous section, could have proven to be detrimental blows to the change initiative in MailCo. But rather than giving up, the actors continued to view the ideal of a flexible and dynamic control system in MailCo as desirable and attainable:

So, you have a look at yourself and conclude that this is not working and start discussing how to avoid falling back into old habits. (#1-12, Controller)

To avoid despair and apathy, some of the central actors in the project changed their discourse around the project and how they would become more dynamic. The focus on the ideal future, in which accountants would serve as coaches to operational personnel (#1-12) and provide forward-looking, decision-relevant information survived by reframing the past:

The intention was good, but we never really made it to rolling forecasts. (#1-11, SVP)

I have no trouble understanding the intention with forecasts, and I share the intention, but as an organization, we face a dilemma. The incentives are built around targets and target attainment. [...] I think the idea about rolling forecasts is correct, but the dilemma is how we handle the multi-level incentive issues. There is still a hierarchy, and if you are holding people responsible you depend on them trusting the system. (#1-5, CFO)

Some of the key actors nuance the past and claim that they never really thought this would be a quick fix. Their initial and naïve assumptions about the efficacy of the proposed changes are turning into reflective hopes about what management control in MailCo might become with time:

Initially, we assumed this would be done much faster. We thought the system would fix everything. After a while, most learn that it's not about the technique but more broadly

about management control. We needed to rethink what performance information really is to us. (#1-12, Controller)

As an alternative to solely focusing on what went wrong, these actors offered rationalizations for what went wrong, but also new ideas (i.e., plans for action and re-imaginings of the future).

4.1.5. Envisioning the Future – Continuous Change

Moving towards a more reflective hope for accounting change, management accountants sustain hope for the ideal but their ideas about how to get there are significantly moderated:

We have a large program running now and that is what is going to take us into the future. (#1-2, Controller)

No longer believing in swift, radical change, the accountants start focusing on change as a process towards a better future (rather than a product and final solution):

It works the day we have an agile forecasting process. When everyone sees it as a forecast, and not a budget. (#1-2, Controller)

We matured. A well-functioning control system must open up and be transparent. Now, I don't know if we will ever be done. (#1-12, Controller)

During one of our visits to MailCo, news broke about who would replace the recently resigned CEO. As many (including the management accountants) had hoped, it was MailCo's sitting CFO who was promoted to CEO. Through our presence in the corporate controlling department, we were able to observe the collective relief and joy that emerged as employees learned that the board had decided to promote the CFO, whom they all knew well. Several employees in the department indicated their hope that this meant their work would be higher on the agenda and be more appreciated than before. It also meant that their efforts to change accounting practices might be more successful in the future, which inspired a hope that they would be able to achieve

real change:

What we are doing now... if it is executed as we think, or hope, then I believe we are really making progress. (#1-2, Controller)

I believe [Oncoming CEO, Current CFO] is different, but time will show. They may very well be eaten by the bureaucracy as well. (#1-11, SVP)

I really do not hope so! (#1-11, Controller)

I do not hope so either.' (#1-11, SVP)

This last conversation illustrates how the ideal future with rolling forecasts and a BB-inspired management model lives on and survives the many setbacks they experienced underway. One manager discusses how the strategy for management control in MailCo was focused on what they should become, without explication how to get there:

I believe this is better than what we did in 2012 where we had 160 PowerPoint slides and a prefabricated template to fill in. That was a static report about what MailCo was, and what it should become. But I was unable to decipher what we were supposed to *do* [i.e., action]. (#1-11, SVP)

The lack of ideas, or plans for action, led the ideal to seem unattainable and unrealistic. Still, the accountants did not lose faith in their mission to regain relevance and provide value and flexibility, but experience leads them to be cautious in the hopes for how and when they will achieve what they set out to do:

I have not given up. I am completely certain that the basic ideal is the correct one. (#1-11, Controller)

Initially, we assumed this would be done much faster. Now, I don't know if we will ever be done. (#1-12, Controller)

Acknowledging that change takes time, the mindset shifts towards a process orientation and that these ideas and plans for action will have to be adjusted for contextual and cultural factors.

As the CEO stated in an internal presentation, “Arduous restructuring towards a new reality and dramatic downsizing in a time of automation and the internet requires that things progress in a process. It takes time.”

Experiencing the setbacks and extracting learning from these, a more reflective hope emerges in MailCo. They are still adamant about the need for change, and that the ideal is to become more flexible and dynamic, as well as restoring the management accountants’ relevance in the organization:

If you go and talk to them about how they do it in [BU1] and how they do it in [BU2] and [BU4], I know that you will get different stories. Because they work in different ways. They may even tell you that they do it one way, but that one way is only part of the truth. However, they talk about it as if they do everything in the same way. But there are different levels of details, and different cultures that need to be reconciled. (#1-4, CFO)

We failed at organizational development. We did not work with the integration of the control model, and failed to create a package of strategy, forecasts, and KPIs. (#1-12, Controller)

We still have a way to go before this works. [...] I am concerned with building a system that provides freedom and autonomy, but the condition is that we have trust in the organizational structures. I believe we are moving in the right direction with the things we do now, and we might get there eventually. (#1-5, CFO)

The most important thing is culture. Number one! We have come a long way from the early years where we thought this would be a quick fix. (#1-9, Manager)

But there is a huge potential. To learn more from one another and help each other. We are not talking a lot to each other [across business units]. (#1-3, CFO)

Most of the interviewees are still hopeful for future change, and they are displaying reflective hopes about the future. Acknowledging how the organization is not immediately rigged for substantive change, they see a need for cultural evolution and organizational development going

forward. In the beginning, many thought this change would be swift and solve many of the issues MailCo struggled with around annual budgets, but after years of setbacks, they are now more nuanced. Rather than seeing a new management control model as a solution, the accounting-action link was thought of as an evolution of control practices more than a revolution.

4.2. Summary of Findings

Initially, the decision to abandon traditional budgeting in favor of a BB-inspired control system produced enthusiasm and hopes for improved decision-making and financial performance, with optimistic presentations (both internally and externally) of a management model that would solve the organization's problems through rolling forecasts, flexible resource allocation, and decentralized decision-making. Discontent set in as rolling forecasts became a comprehensive budget process and performance indicators were chiefly used for reporting purposes. One of the managers expressed great frustration over how even the strategy process turned into a reporting exercise.

Rather than facilitating good forecasting, flexibility, and value creation, management accountants initially become more interested in the technical details of the change than substantive change. Forecasts and targets were indistinguishable from annual budgets and, during the first years, accountants were facilitating a negotiated target-setting process more than forecasts as truly updated expectations about future performance. By the end of this initial stage of the change project, the new model was presented as a slowly evolving solution (i.e., evolution) rather than a quick fix (i.e., revolution). As Catasús et al. (2016) would suggest, the hope of an accounting-action link became more reflective, and BB was no longer *the* solution but rather a long and arduous period of "travel" with an unclear and uncertain future.

5. Discussion and Concluding Remarks

The purpose of this study is to develop the concept of hope and explain how management control change processes proceed, despite continuous setbacks. Building on extant literature within accounting, organizations, psychology, and theology (Brunsson, 2006; Capps, 1995; Carlsen et al., 2011; Catasús et al., 2016; Ludema et al., 1997; Mouritsen & Kreiner, 2016), we theorize about hope and management control change, and their relationship with uncertainty, decision-making, change, setbacks and reframing techniques (Figure 1). Empirically, we study an organization (MailCo) and its move towards dynamic management control, inspired by Beyond Budgeting ideals. Despite the limited success of the change initiative and the continuous setbacks, the project slowly progressed. As such, the current study demonstrates the role of hope in avoiding despair and coping with uncertainty when creating new management control practices. More broadly, we contribute to a general debate about the expressions of hope and their role in imagining new potentialities for management control practice.

5.1. Understanding Hope in the Context of Changing Management Control

Practice

In our theoretical conceptualization of hope and accounting change, we confirm the important link between accounting and action, which culminated in Figure 1. Merging accounting literature with organizational and theological literature, we further develop and theorize that hope is an integral part of change processes. Hope is a component of decision-making through the making of promises. These promises constitute both predictions and desires (Capps, 1995; Clarke, 2003; Mouritsen & Kreiner, 2016), manifested in imaginations of perfect futures and ideals.

If these promises appear credible, agents of hope may form ideas and plans for action that stimulate change. Unintended consequences and resistance to change may lead to

disappointments and setbacks, which are sources of apathy, despair, and inaction. When progress is threatened, hopeful reframing techniques allow organizational change agents to revitalize the initiative and sustain action.

Importantly, however, hope in a management control context is very important since we know from previous studies that changes rarely unfold according to plans and intentions, and accounting change often has unintended consequences (Hopwood, 1983). Moreover, in a recent study of internal crowdsourcing, Di Vincenzo et al. (2020) show how ideas are more likely to survive when the attention surrounding ideas is positive. This indicates that a positive atmosphere is important when introducing new management control practices.

Furthermore, previous studies demonstrate that, at times, management accountants do not live up to operational leaders' expectations, and are consigned to providing useless and ritualized information (Morales & Lambert, 2013). This is similar to Mouritsen and Kreiner's (2016) exemplification of a coercive system in which forgiveness is refused and the decision is forced to be restored, turning promise into despair when it becomes evident to the organization that not everything can be forgiven or forgotten.

However, our findings show that when MailCo decided (i.e., promised) to leave traditional budgeting and implement rolling forecasts, it created an image of an ideal future in which accountants were valuable resources, wherein they would serve as coaches and educators to operational personnel. Through experience and setbacks, the accountants realized that the initial ideal was built on unrealistic expectations of what these changes would achieve in isolation. At this moment, the promise could have "died", and the organization could have concluded that the project was a failure. But this is not what happened.

Instead, hope allowed the ideal (i.e., dynamic, flexible, and relevant control practices) to survive, even though their conception of how to get there changed. Change agents became agents of hope as they mobilized framing techniques to revise the past ("The project was never

meant to be a quick fix”) and envision a future in which organizational development will help them towards the ideal future.

5.2. *Hope – Moving Beyond Setbacks Together*

In addition, we contribute to the empirical literature on change in management accounting and control practices, especially new management accounting and control models (Becker, 2014; Becker et al., 2020; Goretzki et al., 2013; Henttu-Aho, 2016), by providing an empirical analysis of how management accountants mobilize hope to transform ideas into action, even when they realize that a change process is not unfolding according to plan. The empirical account illustrates the long and arduous process of incremental improvements.

We argue that unsuccessful attempts at changing institutionalized practices do not necessarily result in reinforcement or reintroduction (Becker, 2014) of the old practices. Instead, mechanisms of hope – in the shape of revising the past and re-envisioning the future – drive the change initiative forward, if only incrementally so.

Previous studies have shown how management accountants successfully change accounting and control practices. We agree with previous research that the process is important (Goretzki et al., 2013) but not only in a deterministic way. Instead, the group of accountants and their sensemaking has a large influence. If succeeding in creating a positive atmosphere of hope, this can inspire people to take an interest in solving the problem. These intentions to change are inherently uncertain and management’s role is thus to present imaginations of an improved future for scorekeeping, attention directing, and problem-solving.

We emphasize how hope provides an opportunity to move past failure and focus on future improvements, over and over again. Rather than discarding “failed” ideas, the ideal survives through patient evolution and careful curation of valuable experience of what works

and what does not, ultimately leading to incremental improvement. We show how revising the past is helping MailCo to learn from the past and to envision a new and improved future.

Similar to Catasús et al. (2016), we show how change initiatives may initially be premised on naïve hope, and only after collective learning from past experience is this naiveté substituted by a more nuanced discourse and reflective hope. Analogous to Catasús et al. (2016), we also illustrate how organizational actors move from discussing details and techniques to process and organizational development.

However, contrary to Catasús et al. (2016), we focus more on why setbacks are not necessarily the death of projects, but opportunities for reframing ideals and modifying ideas. Rather than focusing on the rationalization process towards a different understanding of what the end product is, we show how the process of predicting and making promises (that produce hope) evolves to cater to an ideal that remains unchanged.

Thus, even as an organization may progress through the three stages of hope (naïve, hopeless, and reflective), we show how the reflective hope may relate to the *process* (i.e., ideas) rather than the *product* (i.e., ideal). Catasús et al. (2016), studied how the understanding of an ideal changed (through reflective hope, PRISMA [the empirical case in the paper] became something else), whereas we study the changing understanding of ideas. The ideal (i.e., dynamic MC) is constant, but their understanding of how to get there evolves.

Like Brunsson (2009, p. 152), we show how hope allows us to “exist in two worlds simultaneously; a world of ideas and a world of practice.” Learning from past failures enables MailCo to re-imagine its way towards a more dynamic future. Acknowledging that the world of practice is riddled with challenges and setbacks, MailCo is still able to simultaneously live in the ideal world. This indicates that change processes require access to the collective memory of the organization to successfully navigate multiple iterations of incremental progress. This may be a possible explanation for why internal stakeholders in MailCo are dissatisfied with

external consulting agencies and their success in implementing change. Initiating a project (with a start and end date) is difficult when the organization is continually going through an evolutionary process of change. Addressing a cross-section of this process is difficult and somewhat naïve, as it does not as much seek forgiveness and learning as it provides a “final” (and imperfect) solution.

These insights about hope and organizational change as never-ending processes may seem disheartening, but it may very well be the best one can hope for. Getting to initiate a change in itself may be considered the most important step forward. As one of our respondents in MailCo put it, “That may very well be the biggest bottleneck. To win acceptance [for the initiative],” (#1-3, CFO). According to Mouritsen and Kreiner (2016, p. 26), “[t]he ultimate success of a project is perhaps that it becomes a project, i.e., that somebody decides to commit time, effort, and money to it.”

An interesting avenue for future research lies in taking a closer look at how emotions influence management accounting and control practice and focus more in-depth on the role of hope in accounting. The relationship between learning, forgiveness, and hope is central to produce reflective hope, and this could be elaborated on in future studies. In contrast to most other emotions, the concept of hope is also based on ethics (e.g., Capps, 1995) and humans have moral obligations to move on, and not to give in to despair. The ethical implications of hope as a generative concept could be interestingly developed in future research.

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Appendix A: List of Interviews

Interview	Position	Unit	Duration
#1-1	CFO Controller	Corporate/Group	60 minutes
#1-2	Controller Controller	Corporate/Group	75 minutes
#1-3	CFO	Business Unit 1	75 minutes
#1-4	CFO	Business Unit 3	60 minutes
#1-5	CFO	Business Unit 2	75 minutes
#1-6	Manager – Controlling	Business Unit 2	90 minutes
#1-7	Manager – Investments	Business Unit 2	30 minutes
#1-8	Manager – Accounting	Business Unit 1	90 minutes
#1-9	Manager – Business Development	Business Unit 1	45 minutes
#1-10	Manager – Controlling Controller	Business Unit 1	45 minutes
#1-11	Finance Director – Corporate Staff (SVP)	Corporate/Group	75 minutes
#1-12	Controller	Corporate/Group	60 minutes
Total (approx.)			13 hours

CHAPTER III

Enabling Whom?

The Design and Use of Enabling Control

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As management control systems evolve, the dual purposes of management control lead to rising tensions in control elements. These tensions manifest themselves in a multitude of ways, and one stream of literature dealing with this is research on enabling and coercive control. As contemporary organizations increasingly pursue radical decentralization, these issues take on different forms. Consequentially, control elements are distributed beyond the realm of managers, leaving employees to self-manage and middle managers in a plight. In such settings, we are concerned that perceptions of enabling design characteristics may differ from what is previously assumed. Thus, we investigate how employees and middle managers make sense of enabling control elements in a radically decentralized organization. Because we study the individual perceptions at an operational level, we draw inspiration from the self-management literature within organization and psychology research. We contribute to the control literature by showing how enabling design characteristics are perceived and used coercively when controls are distributed to an employee level. We also show that middle management is instrumental in the success of self-managing employees. In addition to examining middle managers who are traditionally active users of the MCS, we also study employees that are not conventional users of MCS.

Keywords: management control; self-management; enabling control; coercive control; sensemaking

1. Introduction

Managers love empowerment in theory, but the command-and-control model is what they trust and know best. (Argyris, 1998, p. 98)

As organizations face turbulent environments, some argue that the traditional command and control paradigm is challenged and that organizations must develop alternative approaches to management control that empower self-regulated employees (Kaarbøe et al., 2013). As a result of radical decentralization (O'Grady, 2019), contemporary organizations are experimenting with novel approaches to management control. As management control systems (MCS) evolve, corporations are pursuing management models that facilitate transparency, flexibility, efficiency, and self-regulation (Ahrens & Chapman, 2004; Bogsnes, 2013).

Beyond Budgeting (BB) is emerging as an empirical phenomenon of great practitioner interest (Bogsnes, 2009, 2013), as well as an interesting arena for academic research (Bourmistrov & Kaarbøe, 2013; Libby & Lindsay, 2010; Nguyen et al., 2018). BB is claimed to be a management philosophy (Bogsnes, 2009; Hope & Fraser, 2003), and not merely about the removal of traditional budgets. Propagators of BB argue that the principles of the philosophy help organizations “towards a more dynamic, flexible and self-regulating management model” (Bogsnes, 2013, p. 11). Analogously, management accounting research seeks to develop the concept of control and the design of control elements, by introducing notions such as employee empowerment, learning and flexibility to studies on management control (Berry et al., 2009; Chenhall, 2003). Some recent studies focus on dynamic tensions in management control elements, intentions, attention, and paradoxes of control elements being simultaneously complementary and substitutive (e.g., Doornich et al., 2019; Henri, 2006; Van der Kolk et al., 2020; Van der Meer-Kooistra & Scapens, 2008).

Performance measurement systems (PMS) are formalized structures through which an organization's performance is measured and subsequently managed. Ahrens and Chapman

(2004) draw on Adler and Borys' (1996) typology of enabling and coercive formalizations and show how enabling bureaucracies advance the control concept, as it facilitates the dual purpose of flexibility and efficiency simultaneously. Adler and Borys (1996) contend that it is not the degree of formalization, but rather the underlying philosophy that is central in directing control as either a constraint or as a resource for employee autonomy.

By integrating autonomy and radical decentralization in the concept of control, management control systems become something else. BB discourse (particularly practitioner-oriented) often argues that budgeting is imperfect and that BB can fix these problems through a different approach, built on trust, empowerment, and transparency (Bogsnes, 2009). Jordan and Messner (2012) address the problems of incomplete performance measures and the implications for the design characteristics of control elements by drawing on the literature on enabling and coercive bureaucracies.

Much of the research on enabling formalizations (Ahrens & Chapman, 2004; Jordan & Messner, 2012) and adaptations to local contingencies (Doornich et al., 2019; Goretzki et al., 2018) depart from an assumption that individuals (or teams) have a desire to self-manage and be autonomous. Adler and Borys (1996) point to how the enabling logic has more positive connotations in the literature. Further, they caution against discussing bureaucratic forms only in their flawed variants, acknowledging that there may also be benefits to the more coercive logic. Therefore, this paper sets out to critically investigate the assumptions of a BB-inspired self-management initiative as unequivocally constructive.

While extant research primarily focuses on the managerial level, few have studied the consequences of MC changes at the operational level. Merchant and Otley (2020) express concern regarding accounting research and its connection to practice and call for research on the practical concerns of managers, employees, and systems designers. Specifically, they emphasize that the study of "performance-enabling environments" (Merchant & Otley, 2020,

p. 4), rather than the construction of optimal MCS, is a promising avenue for research. Other researchers (Matějka et al., 2020) call for more research on the differences in beliefs regarding transparency of information and self-regulation in BB organizations.

In our case study, we examine an organization that seeks to design a performance measurement system that builds on the Beyond Budgeting philosophy and self-management logics. Specifically, we investigate a financial institution that introduced self-management principles to its performance measurement system at an employee level. We investigate the concerns of how self-management is operationalized, and what consequences this has for the design and use of control elements that are intended to be enabling. The principal research question we seek to answer is how managers and employees make sense of control elements with enabling design characteristics. By doing so, we elaborate on the tension between enabling and coercive control, as well as its relationship to self-management on middle-manager and employee levels.

Our research provides evidence of situations in which the proposed decentralization of responsibility and empowerment of employees is rejected, as some employees are indeed satisfied with stricter and less flexible boundary conditions. Not all employees (even though they qualify as knowledge workers) have a desire to become (self-)leaders of any sort, and many express that self-management requires more work. Rather, the employees in our study find safety and clarity in knowing *ex-ante* what is expected of them, with the added benefit of relying on others (i.e., managers) for improvement work and strategic thinking.

We contribute to the debate on enabling controls (e.g., Ahrens & Chapman, 2004; Cuganesan & Free, 2020; Jordan & Messner, 2012; O’Grady, 2019; Wouters & Wilderom, 2008) by illustrating how enabling design characteristics may be perceived as coercive at an employee level.

Further, we demonstrate how insights from the organization literature may inform management accounting. To our knowledge, Van der Kolk et al. (2020) is the only other empirical control paper studying the operationalization of self-management and control. Similar to previous studies of self-managed teams (e.g., Barker, 1993), we find that individual self-management enterprises may lead to feelings of tighter control and less flexibility in task execution. For instance, Wouters and Wilderom (2008) conclude that transparency is crucial to the success of enabling performance measurement systems. Yet, we find that transparency can constrain employees, as ubiquitous performance information increases peer pressure. Thus, employees no longer feel they have discretion over work processes, but rather converge towards the rest of the organization.

Stewart et al. (2011) concluded that self-leadership is not a substitute for external leadership, without actually unpacking the role of management and control in self-managing contexts. We find that middle managers maintained an important position in the self-managed context, albeit in a redefined role as coaches and motivators for the financial advisors, accentuating the seemingly oxymoronic need for management in self-management. These findings help us understand the importance of having skillful middle managers (Doornich et al., 2019) as translators of enabling formalizations, even in decentralized contexts.

The remainder of this paper is structured as follows. In the next section, we outline the theoretical framework within which we position this study before we summarize our methodological choices in the third section. In the fourth section, we present our empirical work, before we discuss our findings and conclude in the final section.

2. Theoretical Development

In this paper, we draw on management control (MC) literature in general, literature on enabling and coercive controls, as well as self-management literature to theorize about the design and

use of enabling management control systems. First, we present some of the most salient tensions within the concept of management control. Second, we show how the discourse around enabling and coercive control has become normative to some extent and semi-functionalistic in the sense that enabling control systems can be designed. Finally, we introduce literature on self-management from the field of organizational psychology before we briefly sum up some of the most pertinent concepts for further empirical investigation.

2.1. Tensions in Management Control

Accounting scholars have discussed control and inherent tensions in the control concept for more than half a century. Anthony (1965) debated *cybernetic controls* versus *management by exception*, Hopwood (1972) argued for a tension between *rigid* and *flexible* controls, Simons (1995) explored the duality in *diagnostic* and *interactive* controls, Merchant (1985) and Van der Stede (2001) consider *tight* versus *loose* control, and some accounting scholars (e.g., Ahrens & Chapman, 2004; Jordan & Messner, 2012; Jørgensen & Messner, 2009) have discussed *coercive* versus *enabling* management control. The dynamic tensions in MCS (Henri, 2006) include tensions between *control* and *autonomy* (Kaarbøe et al., 2013) and the balancing of *firmness* and *flexibility* (Van der Meer-Kooistra & Scapens, 2008).

Contemporary management accounting research seeks to develop the concepts of control and MCS (Berry et al., 2009; Chenhall, 2003). Employee empowerment (Chenhall & Langfield-Smith, 1998), organizational learning (Jönsson, 1992), and flexibility (Mouritsen, 1999) are some of the notions introduced as challenges to traditional control. Malmi and Brown (2008) discuss how contemporary management control practice is indeed a practice in which several management control systems (MCS) operate simultaneously rather than in isolation, and they present a framework in which MCS as a package may be studied.

It is argued that modern control systems are challenged by the demand for autonomy in increasingly more dynamic business environments (Kaarbøe et al., 2013). Central to discourses concerned with the management and controlling of organizational performance are notions of empowerment, autonomy, flexibility, and self-management. For example, it is anticipated that autonomy, rather than regulation, is important for motivational purposes (Ryan & Deci, 2000). Accordingly, it might be useful to conceptualize dynamic MCS as structures that facilitate the employees' need for autonomy and self-determination. The facilitation of autonomy and self-management is contrasted by the traditionally top-down driven processes with fixed direction and constraints.

Merchant (1985) and Van der Stede (2001) discuss how control can be conceived as either tight or loose. The discourse builds on agency theory, and tight control is an agency mechanism reducing the agent's discretion over actions, thus reducing the associated agency costs and potentially harmful consequences of information asymmetry. Van der Stede (2001, p. 124) argues that tight budgetary control is held to exist if top management "Puts much emphasis on meeting the budget; Does not easily accept budget revisions during the year; Has a detailed interest in specific budget line-items; Does not lightly tolerate deviations from interim budget targets; and, Is intensively engaged in budget-related communications". Others argue that tight versus loose internal control is a dimension that deals with the degree of formality and punctuality within an organization (Hofstede, 1989).

The opposing roles of how MC facilitates decentralization and autonomy, either as constraints or enablers, have reemerged in the management accounting literature with examples such as mechanistic versus organic controls (Chenhall & Morris, 1995), formal versus informal controls (Chenhall, 2003), or diagnostic versus interactive controls (Simons, 1995). Prior research has typically focused on the contradictory purposes of MC as mutually excluding, denoting MC as either mechanistic, stressing efficiency and goal congruence, or organic,

emphasizing flexibility and learning (Ahrens & Chapman, 2004). Yet, as practice consists of “overlapping approaches to management control” (Ahrens & Chapman, 2004, p. 277), a complex and dynamic relationship between different types of controls is implied, suggesting possibilities of coexistence or complementary interrelation between these. The complicated marriage between control and autonomy is therefore a recurring theme in the literature, and the contradictory alliance is filled with tensions and complexities that are not easily solved (Argyris, 1998).

2.2. *Enabling and Coercive Controls in the Accounting Literature*

Building on Adler and Borys’ (1996) seminal work on formal controls and bureaucratization, accounting scholars have embraced the concept of enabling controls as a lens through which the simultaneous use of mechanistic elements and organic patterns can be studied (Ahrens & Chapman, 2004; Chapman & Kihn, 2009; Cuganesan & Free, 2020; Doornich et al., 2019; Free, 2007; Henttu-Aho, 2016; Jordan & Messner, 2012; Jørgensen & Messner, 2009; O’Grady, 2019; Wouters & Wilderom, 2008).

Adler and Borys (1996) discussed how coercive formalizations arise when procedures are seen as a substitute for, rather than a complement to, commitment. They further postulated that formalization could lead to non-committed and dissatisfied employees, effectively limiting innovation. The enabling formalization is presented as procedures that provide organizational memory based on learning from experience. The formal structure enables the organization to codify best-practice routines and dispense new organizational capabilities. Adler and Borys (1996) advance to present a typology of organizations as either *organic* or *autocratic* (low formalization), otherwise *enabling* or *mechanistic* (high formalization). The authors acknowledge that the dichotomous typology is a simplified representation of continuous variables in reality. The typology expands on a previously one-dimensional contrast of organic

versus mechanistic and bureaucratic organizations, essentially showing that bureaucracy does not necessarily equal mechanistic structures, depending on the degree and type of formalization.

Ahrens and Chapman (2004, p. 271) build on the framework developed by Adler and Borys, and describe the coercive use of control elements as the “stereotypical top-down control approach that emphasizes centralization and preplanning”. Conversely, enabling the use of management control “seeks to put employees in a position to deal directly with the inevitable contingencies in their work” (Ahrens & Chapman, 2004, p. 271). Chapman and Kihn (2009, p. 152) argue that enabling control works “with rather than replaces user’s intelligence and experience”. The conceptualization of enabling control thus implies that enabling is *good* and coercive is *bad* (Burney et al., 2017). Henttu-Aho (2016) finds that enabling control works in settings where controllers’ mindsets and competences are aligned with the system in a decentralized organization.

Moreover, some authors take a fairly normative approach regarding the design of control elements, in which enabling formalization “specifies the features that formal systems should possess if they are to foster both efficiency and flexibility” (Jørgensen & Messner, 2009, p. 100). Other studies see enabling control and PMS as something that is possible to develop and implement (Englund & Gerdin, 2015; Wouters & Wilderom, 2008). We question the direction of this research, where the analysis of coercive PMS has gone missing from the discourse and been marginalized to something undesirable and outdated.

In their effort to make available conceptual clarity, Bisbe et al. (2019, p. 129) argue that the pursuit of “fool proof systems” belongs to coercive formalizations and that enabling formalizations are designed to help employees deal with contingencies in their work. Wouters and Wilderom (2008), as well as Jordan and Messner (2012) address this in their study of incomplete performance measures. Because accounting information is rarely a perfect representation of performance, enabling design characteristics are seen as potential solutions to

the incompleteness problem (Jordan & Messner, 2012). The literature on coercive and enabling controls appears to be consistent about how the distinction between the two types is design-driven (Bisbe et al., 2019). Still, most of the papers center around the perception of such control elements at the managerial level, ignoring the lower levels in organizations.

One notable exception to the lack of focus on coercive systems is the recent paper by O'Grady (2019) in which she studies the role of coercive controls in highly decentralized settings. However, the study focuses on managers and their ability to deal with contingencies and not particularly on the consequence for employees without managerial responsibilities. Cuganesan and Free (2020) study employees at an operational level and find that control elements may be perceived as both enabling *and* coercive and that perceptions over time moved towards coercive. Several studies have investigated the perspective from top and middle management (e.g., Ahrens & Chapman, 2004; Jørgensen & Messner, 2009), but Cuganesan and Free (2020) appear to be the only exception studying the perception of enabling and coercive control at an operational level.

Doornich et al. (2019) show how tensions between intention and attention are moderated by skillful middle managers, based on the coercive and enabling orientations of formal rules. This links to the notion of utilizing expertise and decentralizing the control of activities in the self-management literature as we discuss in the next section.

2.3. *Self-Management*

Understanding the theoretical underpinnings of self-management is imperative to empirically study a self-management project. The literature on self-management is well established in psychology and organization research, but its connectedness to management control is elusive. Van der Kolk et al. (2020) study self-management as an organizational value which in itself constitutes a control element. As the MC literature is predominantly concerned with managers

and systems, we turn to organizational psychology literature to better understand how self-management affects the individual. Apart from Van der Kolk et al. (2020), self-management is rarely explicitly mentioned in management accounting research. We attempt to bridge the gap between management accounting research and the organizational psychology literature by merging the two areas before illustrating the processes of operationalizing self-management in our empirical section.

In the organization literature, managerial control is considered to constitute the boundaries of employee tasks (Slocum & Sims, 1980), without delving deeper into the behavioral consequences of such structures. This section provides an overview of extant research on self-management and culminates in a brief summary of similarities between the enabling control literature and the self-management literature.

For decades, researchers have studied self-management on both individual and group/team levels (e.g., Barker, 1993; Hackman, 1986; Manz & Sims, 1980; P. K. Mills, 1983; Stewart et al., 2011). *Self-management*, *self-control*, *self-regulation*, and, more recently, *self-leadership* have been used more or less interchangeably. Stewart and colleagues (2011) show how these concepts are not discrete constructs, but rather fall along a continuum from *externally managed* individuals/teams, solely dependent on extrinsic incentives with no influence over the What, How and Why of work, to *self-led* individuals/teams, dependent on both extrinsic as well as intrinsic incentives with complete influence over the What, How and Why of work. Throughout this paper, we primarily use the term self-management about individuals that are operating in an environment beyond external control.

Hackman (1986) distinguishes between manager-led units, self-managing units, self-designing units, and self-governing units where the responsibility of management decreases proportionately to the increasing responsibility of the performing unit when moving from “traditional” management to self-government. Traditionally being responsible only for task

execution, the performing unit gradually assumes previous management responsibilities such as the monitoring and management of work processes, the design of the performing unit and its context, and finally, in a self-governing unit, setting the overall direction for the individual, team or organization.

According to Hackman (1986, pp. 93–97), there are five behavioral signs of self-management;

- (1) People take personal responsibility for the outcomes of their work and show in their behavior that they feel personally accountable for the results of what they do;
- (2) People monitor their own performance continuously, actively seeking data and feedback to learn how well they are accomplishing their tasks;
- (3) People manage their own performance, taking corrective action at their own initiative to improve their performance;
- (4) [People] actively seek from the organization the guidance, help, or resources they need for excellent performance; and,
- (5) People take initiatives to help people in other areas improve their performance.

Early research on the subject of self-management subscribed to a definition of self-control as offered by clinical psychologists Thoresen and Mahoney (1974, p. 12): “A person displays self-control when in the relative absence of immediate external constraints, he engages in behavior whose previous probability has been less than that of alternatively available behaviors”. In other words, willingly choosing to engage in activities that are not the most desirable alternative, even though there is no one or nothing to obstruct the individual from engaging in more self-indulgent activities. By freely choosing to do what is in the organization’s (principal) best interest, an individual (agent) exhibiting self-control thus reduces the cost of agency problems, such as alignment of interests.

Through an extensive literature review of self-management studies, Stewart et al. (2011) list several outcomes of self-leadership behavior. Some of the findings are contradictory, and others are based on a very limited number of studies. Nonetheless, the research revolves around

certain postulated outcomes of self-management, such as increases in *career success*; *productivity/quality*; *creativity*; *self-efficacy*; *psychological empowerment*; *job satisfaction*; and *organizational commitment*, as well as decreases in *absenteeism*; *turnover*; and *stress/anxiety* (Stewart et al., 2011, p. 194).

Manz and Sims (1980) argue that self-management may reduce the need for close supervision, and that self-management might be seen as a substitute for leadership. The tensions lie in how to ensure commitment, and solutions proposed range from employee stock ownership to job satisfaction and everything in between. Research on intrinsic versus extrinsic motivation (e.g., Ryan & Deci, 2000) is merely one of the large research streams that might be used to explain how employees sense psychological ownership and become committed to the organization. What is central within these fields of research is the notion of control as defined by internal regulators (Deci et al., 1989; P. K. Mills, 1983; Ryan & Deci, 2000).

Kirkman and Rosen (1999) argue that self-management is only analogous to one of four empowerment dimensions; autonomy, and further argue that team empowerment is a much wider concept than self-management. Nevertheless, freedom and autonomy are undeniably central in self-management discourse, and autonomy is seen as a prerequisite for intrinsic motivation in self-determination theory (SDT) (Ryan & Deci, 2000). Intrinsically motivated individuals and teams have a stronger organizational commitment, which in turn is argued to be positively correlated with performance (Han et al., 2010).

Further, self-management is advocated to facilitate organizational performance in numerous ways. For instance, Kirkman and Rosen (1999) show that productivity, proactiveness, customer service, job satisfaction, as well as commitment are positively correlated to the level of team empowerment, whereas Cordery et al. (1991) illustrate how organizational commitment is stronger for autonomous employees than it is for employees organized more traditionally. From psychology, we know that a subjective sense of

psychological ownership is shown to be positively correlated with organizational commitment and therefore performance (Han et al., 2010; O'Driscoll et al., 2006; Van Dyne & Pierce, 2004). Thus, an individual's commitment to an organization functions as a psychological contract wherein the agent's behavior is better aligned with the principal's interests, even though no formal rules specify which activities the individual/team should engage in (see Thoresen & Mahoney, 1974 on self-control).

As shown, the underlying premise for studying self-management draws upon research from a variety of fields. Autonomy and freedom are important parts of empowering individuals or teams, whereas the empowerment of employees through delegation of decision-authority is essential to ensure organizational commitment and internally motivated employees (Conger & Kanungo, 1988; Seibert et al., 2004). Internally motivated and committed employees change jobs less frequently, are more creative and productive, ultimately leading to performance gains for the organization (Kirkman & Rosen, 1999). The proposed benefits of self-management, such as productivity improvements and decreased agency problems make the subject an attractive leadership philosophy.

Hackman (1986) identifies three features of the organizational context significant in the support of self-managing individuals and units; (1) The reward system, (2) The education system, and (3) The information system. Seeing how strategies for successful self-management include standard-setting (self-goal setting), performance evaluation (self-evaluation; self-observation), and initiating corrective measures (self-regulation; self-reward; self-criticism), as well as rehearsals to improve individual or unit capabilities (Manz & Sims, 1980; Stewart et al., 2011), accounting (i.e., control elements) can be seen as instrumental support (or context) facilitating self-management in organizations by providing memory about obligations and performance (Miller & O'Leary, 1987; Mouritsen & Kreiner, 2016). Hackman's (1986) supportive information system coincides with what is conceptualized as MCS in management

accounting research, as he describes it as critical to a unit's ability to "plan and execute a task-appropriate performance strategy" (Hackman, 1986, p. 113). The information system should provide clear information about the performance situation, including task requirements, resource availability, and resource allocations.

The organizing of self-managed individuals, performance information, and control elements is not addressed explicitly in the organizational literature. Therefore, this study attempts to shed light on the sensemaking processes of self-management, radical decentralization, and control.

2.4. Theoretical Framework

Drawing on extant literature on enabling control and self-management, we develop a theoretical framework to investigate how different actors at different levels in an organization make sense of intended enabling design characteristics.

As demonstrated in the previous section, extant self-management literature adds nuance to the enabling control literature as it emphasizes the role of the individual in engendering good performance. The organization literature treats control systems as context and exogenous to middle managers and employees, whereas the management control literature allows us to integrate this context into the study of self-managed individuals to elaborate on the relationship between context and behavior. *Empowerment* is an important concept for self-management, and it links to autonomy and the design characteristics of for instance BB-inspired MCS.

Correspondingly, the enabling logic associated with *repair* represents the empowerment of organizational actors to suggest or execute workarounds that deal with contingencies in their work (Ahrens & Chapman, 2004). *Flexibility* is considered to be a central feature of enabling systems (Ahrens & Chapman, 2004). O'Grady (2019) equates flexibility with autonomy, while Jørgensen and Messner (2009) relate it to freedom, and it also coincides with the empirical

observations of dynamism and agility within BB (Bogsnes, 2009). Adler and Borys (1996) describe *transparency* in enabling procedures as access to information about the inner workings of processes across multiple levels, which made us want to study the construction of meaning across different levels in a self-managed organization. In coercive logic, information asymmetry benefits managers over employees, but transparency breaks down these processes and diffuse understanding and best practice routines (Adler & Borys, 1996; Jørgensen & Messner, 2009; O’Grady, 2019).

Sensemaking is about how actors make sense of and rationalize situations, contexts, and environments within which they are embedded (Weick et al., 2005). Accounting studies have shown the role of sensemaking for coordination and planning (Goretzki & Messner, 2016) and how sensemaking, through sensegiving activities, may be guided and restricted (Kraus & Strömsten, 2012). Cuganesan and Free (2020) use sensemaking to study the perceptions of new controls in police squads. In our study, we use sensemaking as a theoretical lens to investigate how organizational actors construct meaning about a novel system based on self-management as a control element. According to Mills et al. (2010), sensemaking is an analytical tool that can be used to understand such organizational events.

As presented in sections 2.1 to 2.3, the theoretical foundation of this study is based on extant knowledge from primarily two areas: the accounting literature on enabling controls; and the organization literature on self-management. It may be difficult to see the immediate relevance of self-management to management control, but Slocum and Sims (1980) point to how managerial control is present in self-management, and that it tends to be focused on the boundaries of employee tasks and the outputs of employee activities. This is very much in line with what happens in BB organizations, and the shift from input to output controls is an important part of this. In the developmental mode, employees have discretion over task execution (i.e., how, when, in what order, etc.), and organizational actors at different levels

(i.e., central/top management, local/middle management, and employees) make sense of these activities differently. We narrow down our scope to study the sensemaking processes concerning three interrelated concepts from the previous sections, namely empowerment, flexibility, and transparency. It remains unclear whether enabling controls are a prerequisite for self-management, or if they are a consequence of autonomous and self-managed employees. It is also unclear whether a coercive MCS is incompatible with freedom. In our study, the case organization adopts a performance measurement system that explicitly claims to enable operational staff to self-manage and self-evaluate.

To sum up, we present the theoretical framework within which we demonstrate how managers and employees make sense of empowerment, flexibility, and transparency as design features of a control system, by presenting the intention, perception, and use, as well as the unintended consequences of such design choices.

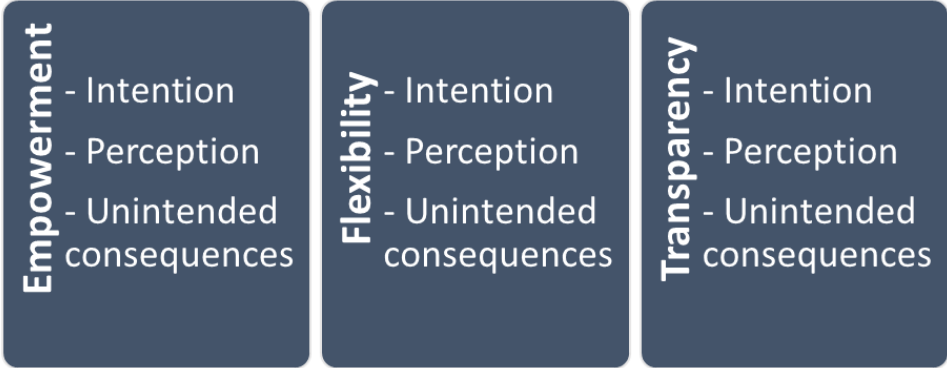


Figure 1. Theoretical Framework

3. Methodological Choices

The case company was selected because it offered a unique opportunity to study the integration of empowerment of employees through a self-management initiative in a management control

context. The case explores how self-management is designed, implemented, and used as part of management control in practice. An ethnographic research method is chosen to grasp the complexities of the dynamic nature of PMS in practice (Ahrens & Chapman, 2007), including all relations, actions, strategies, and processes involved. In this regard, the vision of the studies of the practical character of accounting is to understand the specific contingencies in the minds of the organizational members. In our paper, we strive to provide deep interpretations of organizational practice, as well as the meanings that are ascribed to and drawn from them.

Consistent with Hopwood (1989), this research aims to convey the practical understanding played out by the organizational members' use and interpretation of the PMS. Thus, the research is designed to follow a flexible approach to capture the specific relationships, controversies, linkages, and relationships made in practice when self-management is implemented. However, even in an ethnographic study, the researcher cannot be present at all times, and there is always uncertainty regarding whether it was the most crucial trajectories that were observed and followed (Law, 1994; Mouritsen, 1999). To reduce this uncertainty, a triangular research method was used (Berg & Lune, 2012). Interviews and other documentation (such as PowerPoints, Excel spreadsheets, and reports) are used in addition to observations and interviews. These additional data sources are valuable pieces of information regarding the past and present states of affairs in the organization.

The researcher responsible for data collection in the case organization visited the company over two years. The visits lasted between two days and two weeks each time. In total, 55 interviews were conducted, together with participation in numerous formal and informal meetings at different levels in the organization. The interviews were recorded and transcribed. The interviewees are chosen based on their link to the control elements, ranging from corporate management to operational employees. Altogether, we have 16 interviews with top management, 16 interviews with middle management, and 23 interviews with employees. Top

management is managers at corporate headquarters (central management), while middle management is regional/branch managers in three different branches. The employees are all financial advisors from the three branches.

Field notes, personal reflections, and theoretical notes were recorded during the visits to the company. After each visit, further reflections were chronicled, as were observational and theoretical notes. The observational notes describe verbal exchanges such as conversations, jokes, and comments between the employees, as well as between the employees and the researcher. Observed practices, such as routines, activities, and interactions are also recorded in the observational notes. Lastly, the researcher kept a record of method notes, a log of what type of questions or behavior that worked or did not work during interviews so that adjustments could be made for the next visit. The interviews were semi-structured and started with a broad focus. As the researcher became more familiar with the company, the performance measurement system, and internal processes, the focus of the questions was adjusted towards these emerging themes.

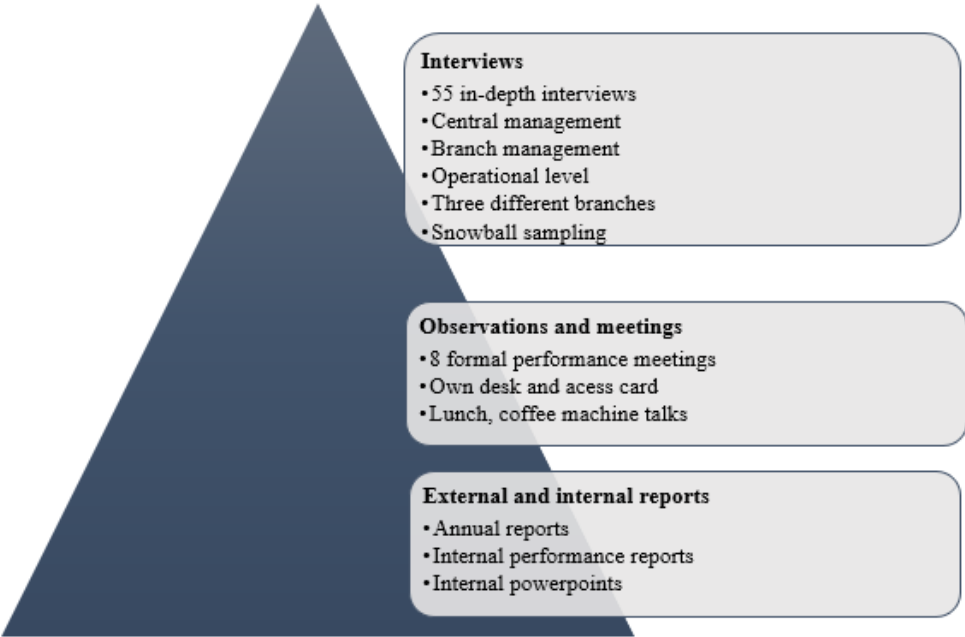


Figure 2. Overview of Empirical Data

In the next section we describe aspects of the case company, with a particular focus on the intentions and design choices made in the attempt to facilitate self-management in the organization. The empirical description is the preliminary finding from the case study, and the aim is to outline the relationship between self-management and contemporary MC.

4. Case Study Findings

To start, a short empirical background of the organization is presented, before delving deeper into the control elements and their consequences for top- and middle-management, as well as for employees. First, we introduce the case company, before we focus on some of the design features and the intentions of top management at the outset of introducing self-management. Then, we illustrate how managers and employees make sense of these design choices in practice, as they constitute a collective sensemaking process about manifestations of decentralization and autonomy, as well as assumptions about causal relationships between intention, perception and use, and unintended consequences.

4.1. Empirical Background and Context

The Self-Management Finance Cooperation (SMFC) is an alliance of large regional savings banks in Norway. At the start of 2012, the financial alliance had 17 member banks. The SMFC is one of the biggest providers of financial services in Norway. The alliance cooperates on banking services and products to strengthen the competitive advantages, profitability, and solvency by providing economies of scale to the member banks. The SMFC is a cooperation that ensures more cost-effective means for the member banks to provide the customers with high-quality products, efficient IT services, sourcing arrangements, and knowledge sharing. In recent years, SMFC and its largest members implemented Beyond Budgeting (BB) as a strategic initiative to improve organizational performance. The vision of BB has resulted in

various changes and restructuring of member organizations, where re-conceptualizing performance measurement is one of the central changes. This case study is conducted in one of the largest member banks in SMFC, namely BB Finance.

BB Finance is a savings bank, situated in the eastern part of Norway. The bank employs approximately 800 people. Savings banks have traditionally held a strong position in the local market, and BB Finance enjoys a strong position in the local community. As the director of personal markets stated, BB Finance “knows its customers, and the customers know their bank”. With a 170-year history in its local market, BB Finance enjoys more than a 50 % market share in its region with the slogan “Together in creating”. The bank consists of several branches. Each branch has a branch manager, and the branches are distributed among five regional managers. The branch managers report to the regional managers, who again report to the divisional director. The main employee group in the branches is the financial advisors (FA) for both private and business customers.

4.2. Designing an Enabling Performance Measurement System

In this section, the case findings related to the new PMS and top management’s intentions with the initiative are presented. In BB Finance, self-management is introduced and implemented with the help of external business consultants, and some of the material in this section comes from presentations made available to us by the bank and an external consultancy firm involved in the design and implementation process. The interviews reveal that management perceives the earlier structure in BB Finance as a leadership and control style that was considered inflexible and coercive. Control elements such as budgets, KPIs, employee measures, market share measures, and customer satisfaction measures have been employed through top-down cascading, together with a rather tight command-and-control leadership style.

PERFORM – The PMS of BB Finance

Top management wishes to change the management and control style, by introducing a new PMS (called PERFORM) aimed at empowering employees and increasing efficiency through self-management. With empowered employees, management expects employees to take control of their own tasks, target setting, and performance evaluation, rather than leaving it to management. Employees are supported in doing so, by the means of the updated PMS, where comprehensive performance measures and feedback loops are thought to provide employees with the necessary knowledge to self-evaluate and regulate behavior. Thus, employees are *expected* to become self-managed. Internal documents show how the goal of PERFORM is to reduce variance in performance between “the best and the rest.” Accordingly, the intention of the PMS redesign is to provide a system within which employees can set goals and evaluate performance.

In BB Finance, self-management is understood as self-controlled and committed employees who take control of their own performance and necessary regulation of action to achieve their performance goals (from interview with the Director of PM and interview with the Internal Consultant facilitating the initiative). The performance measurement system has a central role in facilitating and developing the self-managed employee, and one of the managers argues that PERFORM is different from their traditional conception of control:

Our idea with PERFORM is to design something else than a control system, this is a development system. We have discussed a lot how to support everyone to become as good as they can be so that everyone realizes their full performance potential. (Chief Controller)

Management talks about the PMS as a regime designed to enable individuals to perform their best through self-management, and that it is about enabling performance rather than controlling it. The delivery of performance feedback is supposed to shift responsibility for motivation from management to the individual and produce an internal drive in employees:

We believe that this regime [i.e., sharing best practice and other performance data for employees to self-manage], to put it like that, that it is this regime that enables the individual to realize their full performance potential. And we cannot expect or ask for more than that, so PERFORM is about enabling performance, not to control it. (Chief Controller)

I am a firm believer in self-management because we are a knowledge organization employing highly educated and high performing people. When financial advisors realize what this system can give them in terms of producing relevant feedback to their task performance, it will produce new confidence in their own customer processes. And I think this will produce an internal drive which I feel we have been missing. Because it has been the managers' job to motivate you, and the managers' job to hold you accountable for figures and performance outcomes, but now that the control is placed with the financial advisors, we get an internal drive. (Director, C&M)

Even though management talks about enabling and supporting employees in their self-management efforts, the PMS is also referred to as a “regime” that dictates how individual advisors should respond to performance feedback from the system.

BB Finance refers to its IT system as a self-manager – a system that provides financial advisors with (allegedly) unbiased performance feedback which the individuals can interpret and manage themselves:

Therefore, PERFORM is a system to organize self-management. You receive a performance evaluation [from the IT system], maybe that you need to improve some areas of your performance, and then you reflect on the signal that you received before you need to think of corrective actions. (Director, C&M)

Arguably, at the onset, self-management in BB Finance is understood as the outcome of various external control mechanisms, carefully designed with the employee as the main controller of evaluation and direction-setter for own behavior. These design characteristics are meant to facilitate empowerment, flexibility, and transparency, among others.

As BB Finance wants to ensure a certain minimum level of performance from all employees, it establishes what it calls Threshold Targets (TT), which are supposed to serve as

performance floors for all employees. These threshold targets define the lower boundaries within which empowered financial analysts can operate and also constitute a downward limit for flexibility:

The threshold targets define some leading structures to allow a more proactive approach towards the customers. (Internal Consultant)

These performance floors are a way of managing downside risks in a setting with few formal control mechanisms (from interview with Head of Risk Management). As we show in the next sections, these targets are perceived as unreasonable; discouraging collaboration, as well as deterring flexibility in dealing with unforeseen incidents.

The interviews also reveal that this restructuring of responsibilities from branch management to the individual financial advisor was fraught with challenges, and the redistribution of responsibility requires a new understanding of the role and purpose of the branch manager. The manager does not facilitate top-down control, but rather supports employee initiatives, development, and goal achievement. The manager is understood as a coach and a facilitator of the self-management principles in the new PMS, and the following sections reveal how organizational actors in BB Finance make sense of these changes.

4.3. *Making Sense of Empowerment*

This segment highlights our findings related to empowerment as a design characteristic. One of the explicit goals of this change initiative (and an integral part of BB) is to empower employees, to allow financial advisors to repair flaws in the system and manage themselves towards better performance. In this section, we start with a short introduction to the intention of facilitating empowerment before we show how managers and employees make sense of empowerment in practice. We focus on the discrepancies between intention and use that bring unintended consequences to the surface.

One of the prime actors in initiating and implementing the PERFORM project is an internal consultant. Here, they explain how empowerment to control work processes is central to achieve higher efficiency:

The most important purpose with PERFORM is higher efficiency than before. To produce higher efficiency, you need to take control of your work process, which is at the core of self-management. (Internal Consultant)

For the empowered financial advisor, the performance measurement system in BB Finance entails more work, and this facilitates and inspires financial advisors to become more selfish and cooperate less, even when it is potentially harmful on an aggregate level. Collaboration between colleagues is perceived as *less* prominent now than before. As one financial advisor puts it:

I am much more focused on myself [with the new system in place]. [...] I guess that some of the change in cooperation is also due to the increased workload. We simply do not have as much time for discussion among one another anymore. (Financial Advisor, Branch Z)

Distributing responsibility to individual financial advisors leads to an increased workload, stifles collaboration, and stimulates egocentrism. A financial advisor in a different branch is of the same perception, and points to how the system itself counteracts collaboration and dialogue between individuals with diverging competences:

It is problematic that the ranking functions in a way so that we do not sufficiently draw on each other's competences. It would make a lot more sense if one that is good at savings and one that is good at financing work together, rather than both spending a lot of time trying to be best at both individually. This is what the system does. (Financial Advisor, Branch X)

Yet another financial advisor expresses their frustration with reduced opportunities to collaborate in the new system. They see it as harmful when discussions about difficult issues

cannot take place:

We often experience cases that are important to discuss. If there are difficult issues, it is important that we dare to talk about them, to discuss them, and to admit that you cannot always do everything by yourself. (Financial Advisor, Branch Z)

The threshold targets (TTs) established by BB Finance are supposed to safeguard against very low performance, but even middle management finds that these are inflexible, counterproductive, and obstruct cooperation:

Yes, but that [TTs] is only a target on activity level, which is complete nonsense. I mean, look at [financial advisor]. She spent nine days at another branch to help them out, which now leaves her Friday to complete five customer meetings. (Branch Manager, Branch Y)

With a threshold of at least five customer meetings, the financial advisor is being “punished” for helping out a colleague, leaving only one day to “check another box” in the PMS. Financial advisors find threshold targets unfair due to the complexity of their work and the heterogeneous composition of their customer bases. Variable target achievement for thresholds is rationalized and questioned:

The variance could be due to many things. It could reflect my lack of competence, or it could be due to the composition of my customer portfolio. For example, my customer composition means customers with large loans. (Financial Advisor, Branch X)

The increased workload that comes from managing themselves (i.e., empowerment) results in financial advisors perceiving this as having less time for collective problem solving and collaboration with colleagues. Unintentionally, the empowerment of employees thus promotes egocentrism, reduces cooperation and knowledge sharing, and undermines corporate citizenship.

4.4. Making Sense of Flexibility

In this section, we present our findings concerning the use and perception of intended flexible control elements. Designing a PMS for self-management was supposed to provide the employees with timely, relevant, and precise performance feedback which would provide financial advisors with freedom regarding how to execute their tasks. Through flexibility, employees can deal with contingencies in their work swiftly, and there is an assumption that this decentralized flexibility improves efficiency and quality (from internal presentation). When designing the system, BB Finance intended to set up a system that provides performance signals that are supposed to support financial advisors in becoming better versions of themselves, through acting on such signals in the ways they find useful. However, managers and employees perceive and use the system in an inflexible manner. In BB Finance's effort to standardize and structure the boundaries of control elements in the system, flexibility is hampered.

Initially, the defining of boundaries in the system (specifically the threshold targets) is perceived as coercive and inflexible, demonstrating that BB Finance is not truly successful in designing flexibility. One advisor describes how the system does not adapt to individual differences in ways of working:

I do use the self-manager [PERFORM], but this is where they [management] fail to sell the idea to us. Because self-management is not about everyone using the system in the same way. Because we are not the same. So, self-management means that it is the system that must be adapted to the individuals' ways of working. Some of us work with a lot of structure and plans, and others are more flexible and impulsive. Self-management should mean that there is room for working in different ways and still deliver results. (Financial Advisor, Branch X)

Whether it is the system that is innately inflexible, the advisors' lack of ability to utilize the flexible characteristics of the system, or management's unsuccessful communication of the possibility for flexibility within the system is not clear-cut. Yet, the interviews indicate that it

is a combination of factors. Financial advisors find it difficult to see how the control elements provide them with a full and credible picture of their true performance. The system does not take into account the different competences and areas of expertise of individual advisors, which leads advisors to think that the system is flawed and rigid:

It's difficult to get the complete picture in PERFORM. If I have worked with insurance for 10 years and spend 90 % of my time on insurance, I will achieve great results on this dimension but poor results on financing or saving. (Financial Advisor, Branch Y)

The perceived value of the new self-management elements is limited by the inflexibility of the rules and routines defined within the system. This inflexibility impedes the financial advisors' ability to self-manage, and the system does not allow employees to adjust what feedback they receive (i.e., repair), based on personal needs and preferences. When investigating this further, the lack of flexibility appears to be a feature of the system, not a flaw. The corporate controller explains:

There are defined boundaries assigned to your job. As a financial advisor, it cannot be as easy as just choosing a target of your own liking. We are talking about self-management within clearly defined boundaries. There are certain defined expectations, and within these expectations, you are responsible for the self-evaluation of your own performance. (Chief Controller)

In addition to the highly restricted flexibility, absolute threshold targets are perceived to be unfair for advisors with fewer but larger customers and focusing on activity without measuring return is perceived to be inadequate. This illustrates how both managers and employees fail to flexibly mobilize the control elements of the new PMS. Either, because the individuals lack motivation, creativity, or competence for modifying the controls, or because top management has failed to design a truly flexible system. Instead of becoming dynamic support for managers and advisors, the control elements are perceived as actions to be ticked off in a compliance framework.

In PERFORM it is enough to only hold the meeting. And the customer might find the meeting nice, without considering buying a product. (Branch Manager, Branch Y)

Corporate management acknowledges that absolute targets, for instance around customer meetings, are problematic as they promote standards over individual competences.

I mean, it's impossible to standardize a customer meeting. The meeting is about competences, not standards. (Director of Performance Management)

In an attempt to repair the problem with absolute threshold targets and deal with the perceived inflexibility, BB Finance softens their approach and redefines this control element as *dynamic* threshold targets. The redesign is marginal, and the main difference is that these thresholds are now guidelines rather than absolute requirements. The previous performance floor remains as an anchor, but employees are given an opportunity to adjust in accordance with advisor competences, customer composition, and customer needs:

Well, you can say that this is a basic standard of five in-depth meetings and ten phone calls, and then the financial advisors can define their own standards of what they expect to achieve the coming week. This will vary individually. (Regional Manager, A)

The marginal improvement in flexibility is illustrated when we ask whether a change in target setting can be demonstrated post-change and whether it is possible to set targets below the previous performance floor. One manager's reply sums it up well:

They [financial advisors] do set their own targets. You still have the standard, which is five customer meetings and ten outgoing phone calls, but then the financial advisors set targets corresponding to what they think they will achieve next week. And that may vary. They can set targets below standards, and that is adjusted to various things. For instance, if they work three days that week, then the target is easier. (Branch Manager, Branch Z)

As this manager's statement expresses, the threshold targets are made somewhat more flexible, but there is a strong anchoring towards the prescribed standard and deviating targets must be

justified.

The way managers and employees make sense of flexibility in BB Finance is that flexibility to individually adjust the control elements is hampered by the constraints that were put in place as a risk management effort. The presence of threshold targets undermines trust in individuals and has consequences for the work environment and collaboration:

I think that the foundation for succeeding with sales over time is trust, and a positive work environment where everyone wishes to see everyone else succeed. Where one protects and appreciates the value of teamwork and cooperation, and this is not what is promoted in PERFORM. (Branch Manager, Branch Y)

The issues of trust and reduced cooperation resurface when exploring the sensemaking processes related to transparency as a design feature and control element.

4.5. Making Sense of Transparency

This part presents the findings related to transparency as a control element. Transparency as a design characteristic promotes codifying and sharing best practice. BB Finance wants to share best practice across branches and between individuals to inspire learning and growth. This sharing is done through benchmarking across individuals by sharing relative performance targets and disseminating best practice examples from high performers.

Management in BB Finance has also thought about the level of transparency within the system and chose to go with a semi-transparent design. The design allows individuals to see their ranking in the organization, without seeing the names of their peers, and this is a conscious design choice to thwart competition and individualism. However, management maintains that competition can be healthy and that high-performing individuals should be allowed to know that they are outperforming their peers:

You do see how you are ranked relative to the others in the bank, but you cannot see the name of the others. [...] I suspect a more competitive culture would emerge, with more individual focus, if we put names on the rankings. (Chief Controller)

It's remarkable, this human drive to be the best. I think it's an amazing thing to have in an organization, because people want to succeed and that in itself is an important driver of performance. The fact that people want to succeed is a driver that we should take care of. You must never take away the feeling of being allowed to be the best. (Director, C&M)

However, transparency through sharing best practices is not without challenges, and the dissemination of how "high performers" perform versus "low performers" is received with mixed emotions. For instance, best practice becomes mechanistic and potentially coercive, as identified best practices are expected to be performed every time. This undermines flexibility and individual empowerment as it turns best practice into a checklist:

Best practice customer activity involves the key steps of the advisory processes. It's a checklist. You need to make sure that you have a good dialogue with the customer, and that means following the identified steps in the best practice processes. We want the financial advisors to perform that standard every time. (Director, HR)

Even though management suspected a more individualistic and competitive culture if rankings were fully transparent (showing names on rankings), it is not lost on them that rankings inspire some competition. Management is mindful about how these rankings are deliberately designed to apply some performance pressure, without overshooting and inspire unhealthy competition:

It [anonymous rankings] seems much more constructive to give you an idea of where you fit in the total picture, and I think that is a sufficient pressure to perform for most people. (Chief Controller)

Incompatible intuitions about employees and their ability, and motivation, to seek performance data to self-regulate behavior emerge. This demonstrates how transparency through sharing of best practices may be just as much a pressure device and coercive instrument as an enabling

design feature in which individuals find inspiration to novel ways of executing tasks. Rather than inspiring financial advisors to become the best, transparency of relative positioning versus high performers also leads to low self-confidence and feelings of failure. Financial advisors are demotivated by the rankings and feel that they can never be good enough:

The challenge here is to get the one from the lower end to feel comfortable discussing their performance levels openly with the ones who are top performers. How do they perceive these meetings, if they week after week are the only ones in need of help? (Director, HR)

In PERFORM, we are measured against the top 20 performers, but regardless of how good you perform compared with your previous achievements, no matter how much you have developed your own performance, you have red lines and squares all over the screen. And I find that highly demotivating. It is demotivating because I cannot reach that level, the level of top 20, no matter how well I perform in terms of myself. I am not good enough. It feels a bit like playing in the Minor League and being judged by Major League standards. (Financial Advisor, Branch X)

Middle managers in BB Finance deal with individual feelings of shortcoming by shifting focus from individual performance targets to team performance targets, and it is the middle managers who take responsibility for reinstating confidence with the financial advisors:

It is the performance of the entire team – always the team that I focus on. I focus on what we can achieve together as a team and how we can support each other in performing in the best possible way. (Branch Manager, Branch X)

I am super focused on team level and how we can reach our targets together, by making everyone the best version of themselves. (Branch Manager, Branch Z)

With an aggregated team-based usage of PERFORM, transparency is also less controversial. The individuals in BB Finance see competition between business units and branches as much healthier than individual competition:

We have a huge focus on full transparency at the branch level because we believe that it motivates. I mean, we have for example seen that Branch X is very focused on beating Branch Y. (Director, C&M)

A very useful insight that emerges from the material is that managers' cultivation of performance signals and feedback makes the system work better. This takes away the self-management component, as financial advisors themselves no longer actively seek feedback but receive this from middle management. However, it allows managers to use the system in a different way than what was intended. Thus, middle managers are enabled to repair flaws in the system and restore performance-enhancing transparency:

Do you produce competition, or are you building a team? I think it is important to have a high degree of openness with regards to numbers, results, and what people achieve. For example, I read out loud what the customers score and write in the customer feedback. And that is something that should be confidential in PERFORM. (Branch Manager, Branch Y)

Thus, design features that were put in place to reduce variance “between the best and the rest” (from internal presentation) end up being modified by managers to deal with the unhealthy comparison of individuals, ultimately addressing the unintended consequences of the intended enabling design characteristics such as demotivation and unhealthy peer pressure. Even though this shows how transparency was initially made sense of as something that promoted adverse behavior, the intervention from managers allows individuals to revise their perceptions of transparency at work. This is “solved” outside of the system, and once again illustrates the difficulties of designing systems for self-management, even when emphasizing enabling design features.

4.6. *Making Sense of Self-Management*

The previous sections showed how the introduction of self-management via the control system in some cases promoted individualism and competition, how flexibility was constricted within

clear boundaries, and how transparency and the sharing of best practices increased peer pressure and other social controls. This section presents the findings concerned with the unintended consequences of intended enabling control elements.

Through PERFORM, BB Finance set out to design and implement a performance measurement system in an enabling way. The system would facilitate self-management and improve employee performance. However, the PMS design choice is contested in the branches. Often, financial advisors were found to lack motivation or competence in interpreting and acting upon performance information from the system:

Since we started with the system, there was an implied expectation that financial advisors would be active participants in performing self-management on their own initiative. That is not what is happening. I, as a manager, need to go in and facilitate this process quite a lot. (Branch Manager, Branch X)

Moreover, financial advisors found the new system to result in more work and less value. Financial advisors perceive the endowment of autonomy as demotivating, the responsibility to be stressful, and the continuous performance feedback as “nagging” and frustrating:

It requires a lot of extra work. The workload has increased since we started with PERFORM, due to all the meetings, logging, and the self-manager [IT system]. I preferred how it was before. (Financial Advisor, Branch Z)

The more time we spend in these systems, logging, and reporting, the less time I have with the customers. (Financial Advisor, Branch Y)

One of the branch managers laughs as they explain how they must push self-management onto financial advisors:

Well, actually, the self-manager [PERFORM] is going under the nickname “nagging”. This is a general sentiment in my branch. In the Monday meetings, they [financial advisors] feel we just sit and repeat the same. They don’t contribute with any experiences. (Branch Manager, Branch Z)

The company soon realized that by distributing these management tasks to the employees, management and their tasks had to be redefined as well. After a while, BB Finance argues that management is the key in the self-managed PMS, as the manager is seen as a crucial facilitator in *enabling* self-managed employees. The managers facilitate the individuals in focusing effort and providing performance feedback in productive ways. In the company, the concept of coaching is introduced as a management task and competence, and top management communicates a clear distinction between management (control-based) and coaching (development-based). Thus, BB Finance moves from management control to developmental control.

Furthermore, the ambition to tone down the role of management is not realized according to plan. Instead, branch managers are validating the employees' efforts and performance, because the (allegedly) unbiased performance feedback from the system is not considered to be sufficient. Even those that self-manage want to be acknowledged by their manager, not just through a system or from a peer:

Of course, there are quite a few who are fairly self-managed and perform some sort of self-management. But every single one of them wants to hear from me that what they do is good enough. And if they don't get that, they want feedback from someone else. Acknowledging that I see them and what they do well. So, self-management... It does not really work to manage yourself, because we all want to be seen and acknowledged by others. To me, self-management is a relationship between manager and employee. (Branch Manager, Branch X)

As the previous quote shows, local managers are still essential to good performance management, and simply designing enabling characteristics into the performance measurement system is not sufficient. In isolation from management, employees make sense of the enabling characteristics of the system as more work, less knowledge sharing, standardization, and demotivation. The table below illustrates how enabling characteristics are intended, how they

manifest themselves in practice and the unintended consequences that follow.

	Empowerment	Flexibility	Transparency
Intention	Autonomy	Efficiency / Quality	Reduce Performance Variance
Perception / Use	Increased workload	Standardized	Unhealthy Competition / Comparison
Unintended Consequences	Reduced cooperation	Compliance / Conformity	Peer Pressure / Demotivation

Table 1. Summary of Findings

5. Concluding Discussion

This paper set out to study how managers and employees make sense of enabling control elements in an organization that is implementing a Beyond Budgeting-inspired performance measurement system. The BB philosophy posits an alternative view to traditional management control, most notably in its opposition towards annual budgets and the command-and-control management model. Budgets are claimed to be inflexible, outdated, and of little value for decision-making, and BB contends that autonomous, empowered and self-regulating employees will improve performance (Bogsnes, 2009, 2013; Bunce et al., 1995; Ekholm & Wallin, 2000).

Since the introduction of the enabling/coercive formalization dichotomy (Adler & Borys, 1996) was introduced to accounting (Ahrens & Chapman, 2004), accounting scholars have explored the characteristics of control through this lens (e.g., Doornich et al., 2019; Henttu-Aho, 2016; Jordan & Messner, 2012; Jørgensen & Messner, 2009; O’Grady, 2019). Extant research on enabling performance measures may be interpreted as somewhat functionalistic, as it focuses on systems or measures intended to facilitate employee initiative, flexibility, and responsibility (Groen et al., 2012). The underlying assumption in papers on enabling control elements appears to be normative, in the sense that enabling control systems may be designed and implemented (e.g., Englund & Gerdin, 2015; Wouters & Wilderom,

2008). Still, the message from Adler and Borys (1996) was that these design characteristics are evaluated based on user perception.

Our study investigates the design and use of a PMS built around the idea of self-management, and we evaluate the consequences for management and employees. The main contribution of this study is that it may be difficult, and indeed conceptually impossible, to *design* complete enabling formalizations. This is primarily because the evaluation of whether a control system is enabling or coercive hinges upon the individual perception of the control elements within a given system (Adler & Borys, 1996). Adler and Borys (1996) specifically called for research on individual differences in perception, but the ensuing accounting literature has somewhat ignored this aspect and taken a rather functionalistic turn, in which the “perfect” enabling system exists and can be designed. Further, our paper finds that unintended consequences of autonomy, flexibility, and transparency in several ways. The following sections will show how tensions may arise when balancing autonomy and cooperation (Hackman, 1986; Van der Kolk et al., 2020), the problems with designing flexibility (Cuganesan & Free, 2020), the potential demotivational aspects of transparency (Barker, 1993; O’Grady, 2019), as well as a broader discussion on how the perception of control elements differs across individuals in an organization (Cuganesan & Free, 2020; Jordan & Messner, 2012).

5.1. Empowerment – Balancing Autonomy and Cooperation

First, as the financial advisors in BB Finance express, we find that not everyone wants to self-manage. Increased individual autonomy increases personal responsibility, and operational employees may be uncomfortable with this. Lewis et al. (2019, p. 488) characterized “the tension between control and empowerment as a paradox”. In line with this, our interviews revealed that many financial advisors preferred to be managed over being empowered. Similar

to the findings in Van der Kolk et al. (2020), the increased focus on self-management hampered collaboration in BB Finance, leading financial advisors to reduce communication with peers. Hence, our findings are in stark contrast to Hackman's (1986) criteria for self-management, where self-managed individuals seek guidance in the organization and help others improve their performance. Thus, the financial advisors fail to display self-managed behavior and the control elements did not achieve the intended outcomes.

5.2. Flexibility – Quality and Compliance

Second, we find that with flexibility comes previously inaccessible opportunities for shirking and slack. As individuals are given the freedom to self-evaluate, this flexibility may be used to define a favorable set of performance criteria for the individual. This leads management to quickly define clear boundaries (i.e., the threshold targets) within which the individual is expected to self-manage. In BB Finance, this delimited flexibility leads employees to question the sincerity in the organization's trust in their employees. The system is only flexible as long as employees play by the predefined rules, and there is little to no opportunity to repair flaws in the system itself. In BB Finance, the organization fails to design flexible control elements, as it means different things to different people. Without the ability to repair on an individual level, the system moves towards coercive formalization, much like Cuganesan and Free (2020) observe in their study. After some time, BB Finance can repair some of the flaws in the system, but only through middle management, which contradicts the original purpose of financial advisors becoming self-managed.

5.3. Transparency – Best Practice and Demotivation

Our third finding is that transparency diminishes the value of autonomy and flexibility as peer pressure increases. This stands in contrast to O'Grady (2019) who found that transparency was

the key to success. Transparency through sharing of best practice undermines the course of executing, monitoring, and managing work processes autonomously, as external reference points (i.e., outside the self) serve to guide an individual (or group of individuals) towards a familiar performance standard (i.e., the benchmark). Rather, the sharing of best practice inspires internal competition and lateral comparison, which may indeed be good for performance, even though it constrains the autonomy of the employee. Some employees find transparency to be demotivating, as it becomes clear that they will never be “good enough”. Similar to Barker (1993), we too find that rational rules and transparency lead to peer pressure which creates new “iron cages” for organizational members.

5.4. *Enabling Whom?*

Our study has illustrated how an organization made attempts at implementing enabling control elements in a radically decentralized setting. As Jordan and Messner (2012) and Cuganesan and Free (2020) discuss how swings between enabling and coercive forms of control may be a temporal issue, we propose that these inconsistencies may co-exist across individuals and hierarchical levels at the same point in time. Further, Burney et al. (2017) report that most previous research sees enabling as *good* and coercive as *bad*, yet our case illustrated how enabling characteristics in some cases are perceived as unwanted and “nagging”. The system cannot provide the emotional support and validation of individual effort to the extent that a manager is able to. This leads to an interesting avenue for future researchers to explore; under which conditions will different characteristics of an enabling system be perceived as enabling, and when will they be perceived as coercive?

In BB Finance, it appears that middle managers intervene to help employees make sense of what these features of the system mean for their work. When the system is perceived to be rigid, managers can circumvent or redefine how metrics are used to motivate employees and

coordinate action. The system may very well be enabling middle managers in their work, but it failed to empower individual employees as self-managed workers. Thus, the most surprising finding in our research is perhaps that the project, which at the outset appeared to marginalize middle management, ended up as a reinforcement of middle management's power, and their role as coaches in the organization.

Our case illustrated how it may be difficult to design and implement an enabling PMS because enabling design characteristics may still be perceived as coercive. The study does not reject the notion of enabling management control overall, but it demonstrates the difficulties in anticipating user perceptions *ex-ante*. Therefore, to succeed with enabling systems in settings of extreme decentralization, we propose that the development of such systems must proceed in increments with continuous testing of beliefs about how users perceive (and use) design features. This may require subsequent revisions of the system to align with the user base.

In BB Finance, strictly bounded autonomy over work processes existed, and the image of the totally free and self-managed employee may never amount to anything more than a mirage. This is not to say that such systems cannot exist, but that a supply-side diffusion of enabling formalizations is conceptually difficult, if not impossible. On the other hand, it is hard to imagine that an organization totally free from external control is realistic. Thus, the paradox of (strictly) bounded self-management may exist due to the presence of a trust-based leadership philosophy which employs control-based administrative actions. A PMS based on the BB philosophy runs the risk of sending ambiguous signals (i.e., a signal dissonance), which potentially affects the perceived sincerity of empowerment initiatives.

Our case study discovered that where financial advisors were previously *accountable* for their actions within the boundaries of the system (and to their manager), they are now *responsible* for target setting *as well as* goal attainment. Future studies could further investigate

how increased individual autonomy may lead to increased personal responsibility, and the consequences of this for management control.

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Appendix A: List of Interviews

Position	Unit	Duration (hours)
Director (PM)	Top Management	1.5
Head of Risk Management	Top Management	1.5
Director (C&M)	Top Management	2; 1.5; 1*; 1.5; 1.5
Chief Controller (Corporate)	Top Management	1.5; 1; 1.5; 1*; 1.5
Internal Consultant (Corporate)	Top Management	1.5; 1
Director (HR)	Top Management	1
Director of Performance Management	Top Management	1*
Branch Manager, Branch X	Middle Management	1.5; 1.5; 1*; 2
Regional Manager (A)	Middle Management	1.5; 1*
Branch Manager, Branch Y	Middle Management	1.5; 1.5; 2; 2; 2
Regional Manager (B)	Middle Management	1
Branch Manager, Branch Z	Middle Management	1.5; 1.5; 1*; 0.5
Financial Advisor, Branch X	Operational level	1.5; 1.5
Financial Advisor, Branch X	Operational level	1.5; 1*
Financial Advisor, Branch Y	Operational level	1.5; 1
Financial Advisor, Branch Y	Operational level	1.5
Financial Advisor, Branch Y	Operational level	1
Financial Advisor, Branch Y	Operational level	1.5; 1
Financial Advisor, Branch Y	Operational level	1.5
Financial Advisor, Branch Y	Operational level	1
Financial Advisor, Branch Y	Operational level	1.5
Financial Advisor, Branch Y	Operational level	1
Financial Advisor, Branch Z	Operational level	1; 1.5
Financial Advisor, Branch Z	Operational level	1.5; 1.5
Financial Advisor, Branch Z	Operational level	1.5

Financial Advisor, Branch Z	Operational level	1
Financial Advisor, Branch Z	Operational level	1.5
Financial Advisor, Branch Z	Operational level	1
Financial Advisor, Branch Z	Operational level	1.5
Total (approx.)	55 interviews	74.5 hours

* = Phone Interview