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Why did Hennig-Olsen change their management control system?

A study of the implementation of Dynamic Management at Hennig-Olsen

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This master's thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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Abstract

This thesis about why Hennig-Olsen chose to implement an innovative management control system, inspired by the Beyond Budgeting model. The company named their version Dynamic Management and the management system was implemented in 2014.

In this qualitative and exploratory case study, I have conducted depth-interviews with employees from the management team and the middle management from different units at Hennig-Olsen, which had various degree of responsibility regarding the implementation of the new management control system. The interviews provided a sensible amount of data for the study. The theoretical framework for this thesis is based upon management control systems, traditional budgets, Beyond Budgeting and theory about change champions. The findings of this research indicates the negative aspects of the budget process, the need for an appropriate management control system, the need for a new strategy and a change champion influenced the company to change their management tool.

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Part I: Introduction

“Change isn't optional. It is essential.”(Bridges & Mitchell, 2000, p. 30)

1.0 Outline

The first chapter of this study contains the following subjects: background, problem statement and research questions, purpose and structure. The purpose of this chapter is to give an introduction to the study.

1.1 Background

The goal for managers at modern cooperation's is to maximize the shareholders' value (Sundaram & Inkpen, 2004). To make sure that every employee is working towards the same goal within a firm, leaders and managers choose and construct different types of management control systems (Merchant & Stede, 2012a). Traditionally, budgets have been the most widely used tool for management control (Østergren & Stensaker, 2011).

Budgets been under a serious amount of pressure the last years (Horngren, Datar, & Rajan, 2012), as criticisms against the process have increased (Bogsnes, 2009; Hansen, Otley, & Stede, 2003; Hope & Fraser, 2003a; Jensen, 2001; Wallander, 1999). The traditional management tool have been accused for being "an unnecessary evil" (Wallander, 1999), "a dangerous disease" (Bogsnes, 2009) and "an annual performance trap" (Hope & Fraser, 2003a). Furthermore, Budgets have been criticized for not being continuous enough (Hoff, Bragelien, Holving, Strøm, & Vea, 2009). In today's fast changing environments, it is no longer adequate for a management team to manage their business by repeating previous actions if one wants to be competitive. (Bridges & Mitchell, 2000). The market is changing in a formidable speed and rare patches of the budget can thus cause it quickly becomes irrelevant and outdated (Hoff et al., 2009). For an enterprise to keep up with the twists and turns, it is set higher requirements to be innovative and flexible, which make change inevitable (Bridges & Mitchell, 2000)

One approach to make a business's management control system more flexible and thus prepared to face the changing surroundings is to implement a version of the Beyond Budgeting Model. In 2003, Hope and Fraser introduced a new philosophy called Beyond Budgeting, as they saw a need for a new way to manage firm. In their book "Beyond Budgeting – How Managers Can Break Free from the Annual Performance Trap ", the authors claims that the budget is too time-consuming and too costly (Hope & Fraser, 2003a). Beyond Budgeting is summarized in twelve principles, divided into six leadership principles and six process principles, which will be presented later on in the second part of this report Furthermore, it must be highlighted that Beyond Budgeting is not a simple recipe that solves the problems related to budgeting (ibid).

Although there exists plenty of innovative options regarding management tools, managers embrace the traditional and ritual process, as budgeting is still the cornerstone of management control systems (Anthony & Govindarajan, 2007). Studies have shown that Beyond Budgeting is not a very widespread tool (Ekholm & Wallin, 2000; Neely, Bourne, & Adams, 2003), it can therefore be interesting to study why a company chooses to implement an approach of the model. In this study, a Beyond Budgeting approach at Hennig-Olsen will be investigated, to get insight as to why the company chose to implement an innovative management control system.

1.2 Problem statement

The report has the following problem statement: *Why did Hennig-Olsen change their management system?*
In order to elucidate the problem statement, the following research questions are defined:

1. *Did Hennig-Olsen perceive the negative aspects of the budget*
2. *What changes has the implementation of the Dynamic Management so far entailed?*
3. *Was it the need for a new strategy that was most urgent for the company or was it the need for a new management system more pressing?*
4. *Who were the potential change champion (s) in connection with the implementation of the Dynamic Management?*

1.3 Purpose

Dynamic Management is a relatively new phenomenon in the financial context. In today's changing environment, it is, however, a need for more dynamic ways to manage a business. It should in this paper attempted to understand why a company chooses to implement Dynamic Management. It will focus on how the former management tool for enterprise work to gain insight into what has contributed to the change, and it will focus on what changes Dynamic Management has resulted so far in the company. In addition, it will study whether there was need for a new control system which consequently led to a change of strategy or whether it was vice versa. Furthermore, there will be explored in the report on it has been a change champion who has had influence on the change of management tool. Insight into why a company chooses to change its management system to a more dynamic tool can help increase knowledge about why some businesses choose to abandon the traditional budget process. This might be interesting for companies that choose to keep budgets to gain knowledge of why now in this case study have rejected them.

1.4 Structure

The report consists of a total of five sections, including the introduction section. Part number two lays the foundation for the theoretical perspective of study that includes the development of management tools, criticism of the traditional management tool, Beyond Budgeting and evocation change. It is further illustrated a theoretical framework that is infiltrated in the interpretation of the analysis. The third part consists of the methodological choices made related to the report. In the fourth section, the analysis and empiricism of the study will be presented. In this section, the problem statement and the research questions will be analyzed. The fifth and final section is a summary and conclusion of the study, and it will also be presented suggestions for further research.

Part II: Theoretical perspective

"Transforming an organization is the ultimate test of leadership"

(Kotter, 1998, p. 30)

2.0 Outline

This chapter will concentrate on the theoretical perspective of the study, and the chapter is divided into four different sections. Firstly, the evolvement of the management control system will be introduced, before moving to the theory about the budget process. In the section on budgets, the history, the purpose, criticism and improvements about the process will be included. Next, the Beyond Budgeting approach will be elaborated, including criticisms and examples of tools that companies uses to implement this approach. Lastly, the theoretical framework will be presented. The purpose of this chapter is to present a theory that is relevant regarding answering the problem statement and also to develop a theoretical framework that will underpin the analysis of the study.

2.1 The Evolvement of Management Control Systems

> *"How can organizations that desire continuous innovation and market-driven strategies use management controls that are designed to ensure no surprises? How can empowerment and customization be reconciled with management controls that seek to standardize and ensure that outcomes are according to plan?"* (Simons, 1995a, p. 4)

For a firm to survive in an increasing unpredictable world, it is becoming more important than ever to renew its products and the way the products are being produced (Hoff & Bjørnenak, 2010). Companies in today's changing environment have to focus on meeting their customers need, deliver high-quality products and function at a low-cost level (Bunce, 2003). To make sure that the employees and managers within a firm are on the same page and that their contribution leads to an increase in the firm's total value, it is necessary to have a well-functioning management control system (Merchant & Stede, 2012a).

Robert N. Anthony introduced management control systems in 1965 in his book "*Management Planning and Control Systems: A Framework for Analysis*". The author separated management control system from operational control and strategic planning (Otley, 2003). The formalization of the subject of management control presented in the book *"Management control systems"* by Anthony and Govindarajan (2007), can be viewed as the first modern attempt (Berry, Broadbent, & Otley, 2005). In almost every organization, management control is present as one of the organization's three planning and control functions. Respectively, the three most common planning and control functions of an organization are respectively strategy formulation, task control, and management control (Anthony & Govindarajan, 2007). The relationship between planning and control functions is displayed in the figure below:

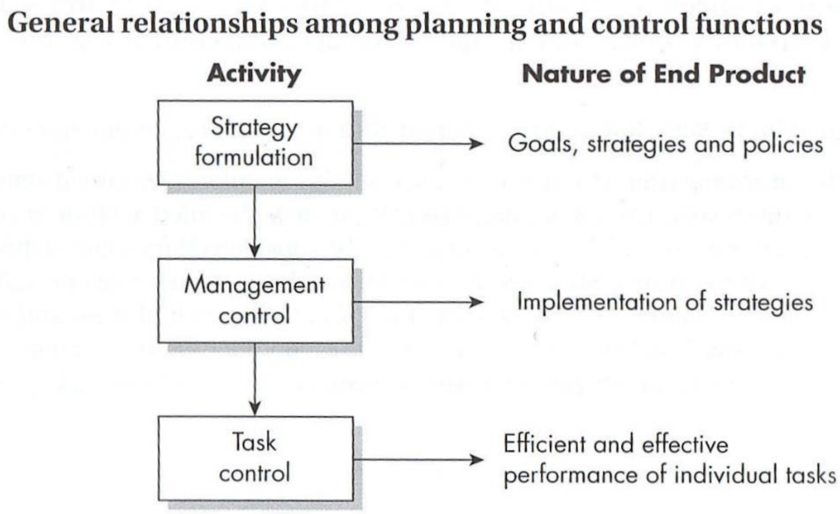

Figure 1: General Relationships among planning and control functions (Anthony, Govindarajan, Hartmann, Kraus, & Nilsson, 2014, p. 44)

The formulation of strategy is the function that is the least systematic of the three, and the function preserves the long-term focus of the organization. The purpose of having a strategy is to discover new threats and opportunities, and since threats and opportunities do not occur in a consistent pattern, formulation of strategy does not take place regularly. Furthermore, task control is the most systematic feature where the organization ensures that tasks are implemented efficiently and according to the desired way (Anthony et al., 2014). Management control is an important part of the overall management tool and is located directly in between strategy formulation and task control. This feature focuses on how an organization's management can ensure and influence that the other employees of the organization exerts the strategy that is designed and thus ensure that the organization is performing well (ibid).

Management control systems consist of all the procedures and processes that managers and other employees in an organization can use, to ensure achievement of objectives (Berry et al., 2005). Hence, the purpose of management control systems is to implement an organization's strategy (Anthony et al., 2014). Management tool consists several different control elements, examples of such features can be respectively strategic planning, budgeting, resource allocation, performance measurement, evaluation and reward, responsibility center allocation and transfer pricing. The features operate holistic, as the management control systems gather the seven separate activities (Anthony et al., 2014)

The point of having a management control system is to reassure that the personnel are motivated and targeted (Hoff & Bjørnenak, 2010). Furthermore, management control systems are used to make information available to the organization's managers, and the information is supposed to guide the manager's behavior (Otley, 1999). If an organization has developed and applied an appropriate management control system, the organization will have a higher chance of being successful (Merchant & Stede, 2012a). Additionally the quality of the system needs to be well maintained (Ibid).

In the last decades, there has been paid a great amount of attention on how organizations are managed. The reason for the increased attention is because academics and practitioners are starting to be aware of the fact that management accounting is important regarding a company's ability to survive (Wanderley & Cullen, 2013). The traditional management tool has therefore been criticized for not being able to adapt according to the rapid development of the market (ibid). One of the first to criticize traditional methods of managing a firm was Douglas McGregor. In 1960, the author published *"The Human Side of Enterprise"*, where he initially presented the following question:

> *"What are your assumptions (implicit as well as explicit) about the most effective way to manage people?" (McGregor, 2006, p. xxiii)*

McGregor questioned how management controlled the behavior of the organizations employees and developed the revolutionary idea about Theory X and Theory Y. The theory discusses different ways of viewing people, where Theory X sees people as lazy by nature and not caring about what the organization needs. Management, therefore, have to control, reward and punish their employers to achieve the desired result. Theory Y, on the other hand, states that people can achieve gratification through work and like responsibility. Management should, therefore, recognize these qualities and make sure that the organization has the right conditions to support and realize the potential and, as a result, the organization will achieve the goals set. McGregor pointed out that Theory X shaped the human vision in the business world and that one could streamline and improve organizations drastically by recognizing that delegation is an effective method of practicing management by the control. It is suggested that enterprises that have faith in human capacities will successfully apply other innovative ideas (McGregor, 1960, 2006). Speaking of innovative ideas, another academician that questioned how organizations exercise control was Robert Simons. In his book *"Levers of Control – How Managers Use Innovative Control Systems to Drive Strategic Renewal",* Simons (1995a) claims that the widespread traditional management control system, which reaches back to the 1960s, consist of command-and-control techniques. Furthermore, the author states that these techniques are no longer efficient in an increasingly competitive market. The academic author believes that machine-like bureaucracies are suitable when a company needs standardization. Having that said, he points out that most companies today work in a dynamic environment where competition is high in his article *"Control in an age of empowerment,"* published in 1995. It is then hardly appropriate for management to ensure that all employees are doing as they are told. Further, Simons believes that it is naive to think that one can manage without any form of control. It is not given that good employees are doing good things, without managers initiating in a controlled manner what can be improved. In other words, it is a balancing act between how creative one should let the employees be and how much control management should exercise (Simons, 1995a, 1995b). Managers tend to lean towards control and evaluate performance against what is predicted, to make sure that the company is on the right track. This form of control is called diagnostic control and according to Simons; this is a too narrow system. One solution can be for managers to control strategy through four basic systems, which are respectively belief systems, boundary systems, diagnostic control systems and interactive control systems. Together the system can manage the balancing act between creativity and control (Simons, 1995b). Moreover, the author suggests that one must focus on the information within the organization, and defines management control systems as the following:

> *"[…]the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities"* (Simons, 1995a, p. 5)

The information should ensure that all activities of the organization are working toward the same goal, and information should not be used for exercising control but as a basis for an organization's decision-making.

Furthermore, the authors Thomas H. Johnson and Robert S. Kaplan fronted another debate about the traditional management control systems that is worth mentioning in the late 1980s. The authors claimed in their book *"Relevance Lost – The Rise and Fall of Management Accounting",* published in 1987, that traditional management tool were "too late, too aggregated, and too distorted" to be relevant and therefore had lost its importance. Managers should, according to the authors, consider investing in a management accounting system that is more relevant and timely. It is also important that the system is designed to support an organization's operations and strategy (Johnson & Kaplan, 1987). In the following years, several new management tools were developed and implementes. The development of new tools was among others affected by the mentioned authors request for new management systems and the assertion that the traditional method was outdated (Wanderley & Cullen, 2013).

The management system as a concept has evolved from only including economic principles, as financial measures, to have a management system consisting of several dimensions. Now the financial aspects are not the only focus, but also other factors are emphasized and play an important role in the new management system. In the following, the most widespread traditional management system will be presented, before looking into an alternative approach to managing an organization.

2.2 The traditional management tool

Traditionally budgets have been the most commonly used tool for managing organizations since the post-war period (Bergstrand, Bjørnenak, & Boye, 1999). Firms in the US started some decades earlier and were introduced to the budgeting concept almost 100 years ago (Bogsnes, 2012), when the budgets were used as a management tool in the 1920s (Goode & Malik, 2011). The budgeting pioneers in the US was the well-known company General Motors and Alfred Sloan (Bogsnes, 2012). Another central figure in the development of budgets was the founder of the audit firm McKinsey, James

McKinsey. The first one to develop budget was the governments because they needed to provide money and to make sure that public expenditures were handled correctly (Bergstrand et al., 1999). When the society was later heavily influenced by the belief in planning in the middle of the twentieth century, companies started to adopt budgets as their management tool (Bergstrand, 2009). By time, the concept grew from being legal documents that addressed how to allocate resources to different objectives, to include estimations of the firm's future income and costs presented in fixed performance contracts (Goode & Malik, 2011). Today budget still are used in the public sector, and the use of budgets is a widespread method in the private enterprises (Bergstrand et al., 1999). Hoff and Bjørnenak (2010, p. 27) defines budget as a:
"[...] comprehensive plan, where the budget formation is a numerical expression of a company's action for a given future period."

In other words, a budget is an agreed-upon plan that shows what the different actions the organization has scheduled for the future should be and what they should cost. Budgets can further be divided into two main categories; long and short term budgeting. Short-term planning is based on the company's operational plans, and the long-term planning is based on the company's strategic planning (Horngren et al., 2012). The management team task is to ensure that the planned activities will provide the maximum return, to optimize the use of the enterprise's resources (Bergstrand et al., 1999)). The traditional budget usually applies for 12 months at a time, mainly because of the coordination with the annual accounts (ibid). The approval of the budget usually takes place before the year-end, usually in December, whereas the formation of the budget can start as early as September (Bergstrand, 2009; Bergstrand et al., 1999). Also, when an organization is developing a strategy and wants to implement it, the budget is the most vital planning tool (Horngren et al., 2012).

One of the purposes of having a budget is the *planning* purpose, which entails getting a numerical overview of what the planned upcoming actions should (Hoff & Bjørnenak, 2010). The plan should express what has to be done to achieve the specified targets (Ibid). How the owners money will be distributed and what the rate of return may be is included in the plan as well (Bergstrand et al., 1999). Setting targets is as mentioned an essential part of the planning and objectives can be divided into respectively development goals and secondary objectives. Development goals require that the company's plans and objectives for future activities must be determined through secondary objectives. Examples of secondary objectives can be project plans, promotions, number of new customers, etc. How detailed targets will be will vary from company to company. However, the purpose is the same; make sure the company reaches the planned development goals (Hoff, 2010). To set goals that are realistic and prepare plans for reaching the goals, are considered the most demanding part of the budget process (Bergstrand et al., 1999; Hoff & Bjørnenak, 2010). Especially developing the objectives is viewed as demanding and to some business leaders this also considered to be the most important part (Ibid). There exist plenty of other motives regarding why firms choose to have budgets, and the motives vary among the firms (Bergstrand et al., 1999), for instance, another purpose how having a budget is *motivation.* The budget is supposed to motivate the employees within a firm by creating a feeling of responsibility regarding the financial obligations included in the final version of the budget (Hoff, 2010). By allowing the employees to be a part of the process and better understand their own tasks (Bergstrand et al., 1999), the budget will create the feeling of ownership towards the set targets and plans (Hoff, 2010). There has been conducted researches that have revealed that a challenging budget can in improve the performance, since employees do not want to fail and, therefore, work harder to achieve the goals (Horngren et al., 2012). However, there is a balance, too challenging budgets can have the opposite effect on motivation, and the budgets should, therefore, be challenging and achievable (ibid). Furthermore, the budget is supposed to provide *coordination* between the different departments within a firm, where the purpose is to make sure that the organization pulls in the same direction (Hoff, 2010). Coordination is how a firm is handling and balancing the production's different aspects in the best way possible and assuring that the firms developed goals are taken into consideration (Horngren et al., 2012). In many enterprises components of a products is produces in different departments. Therefore, its is important that the departments coordinate on how much to produce and in which rate to produce, to get a result that is satisfying (Bergstrand et al., 1999).

Another purpose is the *allocation of resources;* budget enforces priorities between activities in the organization's different departments. The company has limited resources and must, therefore, get an overview on what projects to pursue (Bergstrand et al., 1999; Hoff, 2010). Moreover, another reason for having budgets is the *control and* *monitoring* purpose. The control and monitoring purpose is to provide a framework for the superiors so that they can control the result of the budget and investigate whether there are discrepancies and thereby control the employees(Hoff, 2010; Horngren et al., 2012). Controlling and monitoring is one of the most important purposes for having budgets as a management tool. The purpose of controlling and monitoring is to deal with potential discrepancies, both positive and negative. When the result is significantly inconsistent with the budget, the managers can investigate it further and possibly implement corrective measures to prevent extensive deviation in the future (Hoff, 2010). When judging the actual performance against the predicted performance, it is important to notice that the budget should not only be superiors benchmark. The performance evaluation should consist of relative benchmarking elements as well (Horngren et al., 2012). An additional important motive for having a budget that is worth mentioning, is that budget helps management *implement strategies*. When an organization is developing a strategy and wants to implement it, budget is the most vital planning tool (Horngren et al., 2012; Rickards, 2006). In the long run, it is the enterprises that meet the developed strategic objectives most well, that are the best performers in the business (Anthony et al., 2014).

2.2.1 Why abandon the budget process?

> *"[Budgeting] is a cumbersome way of reaching conclusions which are either commonplace or wrong. In the latter case, the budget might even be dangerous. It is dangerous because if you believe in your budget it might hinder you from adapting to new situations. If you do not believe in it, there is no point in making it"*
> (Wallander, 1999, p. 419)

For several years, the budget has been under serious pressure as a management tool (Horngren et al., 2012) and have been criticized since the introduction (Bergstrand, 2009). When the world moved into the information age, the debate of budgets began and it has been suggested that the traditional process is no longer useful since the environment is getting more complicated and the competition is getting harder (Rickards, 2006). Budgets are widespread and the very cornerstone of management control systems (Anthony & Govindarajan, 2007), however, a number of consultants and practitioners have questioned and criticized the budget process (Bogsnes, 2009, 2012;

Bunce, 2003; Ekholm & Wallin, 2000; Hansen et al., 2003; Hope & Fraser, 2003a; Jensen, 2001; Johnson & Kaplan, 1987; Neely et al., 2003; Wallander, 1999). For instance, Johnson and Kaplan (1987) claims that traditional budgeting "*is too late, too aggregated and too distorted to be relevant for manager's planning and control decision*". Simons (1995a) addresses that *"command-and-control techniques no longer suffice in competitive environments where creativity and employee initiative are critical to business success"*. Furthermore, the budget has been described by Hansen et al. (2003) as "*far from perfect*" and Bunce (2003) find the traditional management control systems *"inadequate in their ability to respond to the new market imperatives".*

The budget has in particular been criticized for being too time-consuming (Bergstrand et al., 1999). Moreover, it has been illuminated that the budget creates myopic thinking and that the budget can lead to gaming behavior amongst managers (Hansen et al., 2003; Merchant & Stede, 2012a; Wallander, 1999). Some of the most acclaimed works that are critical of budgets is the work of Bogsnes (2009), Hope and Fraser (2003a) and Wallander (1999). In his article "Budgeting – an unnecessary evil", Wallander (1999) explains why traditional budgets are an outmoded form of control. In the article it is suggested that budgets can hinder a company from adjusting to new conditions. Bogsnes (2009) explains in his book that one central problem with budgeting is not its general purposes. The problem is that the budgets do not separate processes of setting targets, developing forecasts, and allocating resources, but combines the three processes into one. Coordination of these three mentioned purposes should not be annually, it would be better to coordinate them more continuously (Ibid). The most influential work have been by formed by Hope and Fraser (2000, 2003a, 2003b). The two American authors described the budget as *"the annual performance trap"* and divided the critique against the budgeting process on three main issues: burdensome and expensive, not adapting to change and creating gaming behavior.
These mentioned opponents of budgeting have suggested that organizations should abolish budgets completely and implement a more dynamic management model (Sandalgaard & Bukh, 2012), which will be presented later on. In the following a selection of some of the most recognized and cited criticism against the budgets process will be presented. The selection Iis including among others Bogsnes (2009); Hansen et al. (2003); Hope and Fraser (2003a); Neely et al. (2003); Wallander (1999). The budgets

weaknesses can be divided into four different categories; business manner, sustainable strategy, behavioral aspects and organizational competence, based on Neely et al. (2003) classifications.

Weaknesses regarding the business manner

Budgets are resource intensive. As already mentioned, the budget process have been described as a time-consuming and expensive affair (Hope & Fraser, 2003a), and with today's technology the process do not have to be this way (Bergstrand, 2009). A company's internal management control systems should not be dominated by financial reporting; there is no longer a need for it (Ibid). The budget process can last approximately 4-5 months in larger companies, which can make managers have less time for other important activities and responsibilities (Hoff et al., 2009). It has been stated that financial managers and senior executives spends 20 to 30 percent of their time working on budgets (Hope & Fraser, 2003a). Research has also shown that finance planning divisions can spend almost half of their time at work on developing budgets (Horngren et al., 2012).

Budgets are not continuous enough. Some of the criticism against budgets concerns that the horizon is too long. Budgets are often only updated and developed annually, not continuously, which can hinder a company in making a necessary change quickly (Hoff et al., 2009). In today's society, the market situation can change in a blink of an eye and, therefore, the annually budget update is viewed as a great weakness. The infrequent update can make the budget outdated, irrelevant and without value (ibid) which reduces the value of the process (Hansen et al., 2003). Wallander (1999) even argues that the traditional budget process never can be valid, since the updates are infrequently, it make it impossible for a firm to keep up with the changing environment. Moreover, since budgets usually only are updated annually, resources for unexpected activities must be applied for. The application process can often be complicated and it may lead to that a firm loses opportunities or that the use of the resources is sub-optimized (Bogsnes, 2009).

Weaknesses regarding sustainable strategy

Budgets are rarely linked to strategy. The approved budget is mostly never linked to the company's strategy (Rickards, 2006). Planning the company's strategy is usually reserved for the senior management team, while the ones who are responsible for the budget are not included (Bunce, 2003; Hoff et al., 2009) . The fact that strategy and budgets are not allied is pointed out as one of the most severe problems (Neely et al., 2003). For an organization to be effective the strategy needs to be linked to the budget. Instead of creating an organization that perceives the surroundings, concentrates on increasing shareholders value in the longer run and implement the company's strategy, you get a culture that is more myopic and only focuses on the current budget (Ibid).

Budgets do not have the right focus. According to Bogsnes (2009) and Hansen et al. (2003) budgets do not have the right focus regarding cost, traditional budgets focus on what the organization uses and not on value creation. For a company it should be more motivating and interesting to look at what the optimal cost level is. An optimal cost level entails what maximizes the total value, instead on illuminate how to get the lowest costs. The paradox with budgets, is that low costs is equal to good practice; however, it can make a firm less valuable in total. The costs a firm should avoid are the costs that do not create value, and rather focus on good costs that are an investment (Bogsnes, 2009). Budgets create a mismatch between an organizations strategy and operational decisions due to its focus on annual financial performance (Hansen et al., 2003).

Budgets are not either dynamic or reactive. Budgets make managers are too concerned about their company, instead of being responsive to how their environments transform (Bergstrand, 2009). The framework the budgets provides for resource allocation makes it cumbersome to be adaptable to the changing environment (Bogsnes, 2009).

Weaknesses regarding behavioral aspects

Budgets create gaming and dysfunctional behavior. Hansen et al. (2003, p. 97) describe budgets games as *"skillful timing of revenues, expenditures, and investments"*. Budgeting can lead employees, and especially managers, to participate in gamesmanship. Gaming behavior can be, for instance, managing earnings (Hope & Fraser, 2003a) or creating slack (Horngren et al., 2012; Merchant & Stede, 2012a). The reason for such behavior is to make the outcome of their performance contract more pleasant, without a positive effect on the organizations economy (Merchant & Stede, 2012a). Hope and Fraser (2003a) highlights that the dysfunctional behavior that budgets leads to, are one of the most serious problems. Managers can, for instance, manage their result, by not reporting the correct number. Instead, the managers can save some for later to make sure they will meet the budget targets when the business is doing poorer (Hoff et al., 2009). Another example of gaming behavior is that employees, mostly managers, can suggest lower targets than what they know is achievable during the negotiation with their superiors. If a manager suggests low targets, it is to make sure that the target will be reached, and the bonus will be made (Hope & Fraser, 2003a). In the worst cases, gamesmanship have resulted in fraud (Hoff et al., 2009). One solution to this problem is to abandon the fixed performance targets and make targets relative to benchmarked performance, that can be either internal or external benchmarks (Hansen et al., 2003). An organization can thereby reduce gaming behavior and increase the employee's motivation by making targets relative since relative targets can be adjusted for unexpected factors, and, therefore, increase the perceived fairness.

Budgets do not make people feel appreciated. Detailed budgets and tight control do not create trust within an organization. Therefore if an organization abandons the budget process, the employees will be given a higher degree of trust and responsibility (Bogsnes, 2009). Employees get the opportunity to make their decisions and allocate resources to activities they find valuable, which creates a more effective organization that can increase the total value (ibid).

Weaknesses regarding organizational competence

Budgets strengthen vertical command-and-control. Another problem with budgets is that the process encourages management that is centralized, where it is the management at the top that controls and regulates the employees (Bogsnes, 2009). It is still rooted in the faith of some leaders that if one does not govern from the top down, it becomes chaotic, and the results will not be satisfying. Instead these leaders believe that a detailed description on what the company activities the next year will maximize competence (Bogsnes, 2012). For a business to exploit the potential of its employee, it must rather aim for a more decentralized management that can make the organization more able to act faster in the changing environment (Bogsnes, 2009; Hope & Fraser, 2003a). Furthermore, a decentralized organization leads to more transparency, which in turn leads to more trust and responsibility among employees. This form of control is described as elementary for employees to get involved in their work and achievements (Wallander, 1999). Leaders that are fond of traditional management fears that transparency lead to less contro. However, when everyone can see what each department spends and how employees perform, it can motivate employees and increase their sense of responsibility (Bogsnes, 2009).

Budgets are based on unsupported assumptions and guesswork. According Wallander (1999, pp. 410-411), the budget is formed by two types of forecasts. The first kind will assume that the business will continue in the same rhythm as before, "same weather assumption." Since economic variables often prove to be stable over long periods, projections of this type usually end well. Having that said, there is no point in making a prediction to tell employees that they should proceed as normal, it is not a particularly effective way of managing. Moreover, variables occasionally change direction, and then the developed forecast does not have any value. The second type of forecast predicts that the business will return to normal after the firm has been above average for a period. With this type of prediction, the firm is telling its employees that they should return to normal and such conclusion gives a marginal return on the time it took to prepare the forecast.

Budgets reinforce departmental barriers rather than encourage knowledge sharing. About the sharing of knowledge, the bonus systems do not provide incentives to share knowledge since the bonuses often are based on individual performance or the performance of a single department (Bogsnes, 2009). Budgets can rather create an internal competition that contradicts with the company's strategy and value creation (ibid).

2.2.2 How can budgets become better?

Recently, in the US and Europe, there has been two different main approaches in terms of how to improve the budgeting process (Hansen et al., 2003). One approach is to abolish completely the budget and go “beyond budgeting”, and this approach will be further discussed later. The other tactic is to make the traditional budget process better and over the years, and there have been formed numerous of different approaches to fixing the problems regarding the traditional management tool. However, the different approaches trying to improve the budget process have turned out to not last that long and one of this approaches is, for instance, the Zero-base-budgeting. This approach was widespread back in the in the 1970s and 1980s (Player, 2003). The method was based on the concept that the budget were reset each year and not based on last year's budget (Neely et al., 2003). Another known approach is to create more adaptable budgets, rolling budgets, where the horizon of 12 months is updated every quarter. Rolling budgets is supposed to solve the problem regarding the infrequent updates of the traditional budgets and therefore by updating the budget more often provide forecasts that are more accurate (Neely et al., 2003). This approach makes budgets more adaptable to the changing environments (Neely et al., 2003), however, it is not a flawless process since it requires frequent resource-intensive administrative involvement (Player, 2003). Another known approach is Activity Based Budgeting, which entails to structure the organization's activities and processes to be more capable of meeting its customer's needs (Ibid). The purpose of Activity Based Budgeting is to improve the budgeting system (Hansen et al., 2003).

All of the mentioned approaches have been criticized for not making the budget process easier; on the contrary, the approaches have been accused of increasing the workload and being more expensive (Player, 2003). None of the aforementioned methods have solved all the elementary mistakes with the budget process, including one of the most crucial mistake; namely the negative impact the budget has on the organization's behavior (Hope & Fraser, 2003a). Instead of improving the budget process, many companies have instead attempted to supplement budgets with alternative management, and these methods have been presented as solutions to some of the problems associated with the budget process. Examples of such alternative strategic management tool will be presented later in the theoretical part. The attention will now be directed towards a different method. This method has chosen to abandon the budgeting process completely, the developers of this method see the budget as an obstacle for a business to get maximum value of a new strategic management.

2.3 An alternative approach

Until now, the theory has concentrated on the evolvement of management control systems and the budget process. In the following, the theory will focus on an alternative way to manage a business. In this alternative approach, the budget does not play the main role. The alternative method called Beyond Budgeting and was developed by Hope and Fraser (Hoff et al., 2009), and the approach will successively be further explained. First, what is beyond budgeting? Hope and Fraser (2003a, p. xix) define the Beyond Budgeting in the following manner:

> *"Beyond Budgeting is not a toolset designed to fix a specific problem with budgets or anything else [...] it offers an alternative management model [...]. It is a coherent set of alternative processes that support relative targets and rewards, continuous planning, resources and demand, dynamic cross-company coordination and a rich array of multilevel controls."*

Beyond Budgeting is stemming from an organization that goes by the name The Consortium of Advanced Management International, CAM-I (Hoff et al., 2009). Since 1972, the organization has worked on developing a tool that is better suited for management by being process-based, and the organization has additionally evolved the discipline of internal accounting (ibid). In the middle of the nineties, the organization CAM-I wanted to explore and study companies without budgets and Hope and Fraser took the role (Bogsnes, 2009). In total, 33 companies were positive to respond and give insight to their alternative management control method. As a result of this the Beyond Budgeting Round Table (BBRT) was formed by Jeremy Hope and Robin Fraser at the end of 1997 (Bogsnes, 2012; Hoff et al., 2009). Some years later Hope and Fraser published the book *Beyond Budgeting: How Managers can break free from the annual performance trap*. Budgeting Round Table (BBRT) has been the leading budget opponent since it arose from CAM-I and number of companies in BBRT have increased to over a 100 (Bogsnes, 2009). The organization is worldwide and member-driven, and BBRT arranges presentations, holds conferences and publishes articles. The motives of these activities are to get firms to abolish the traditional management tool and rather implement more dynamic tools (Hoff et al., 2009).

2.3.1 The principles of Beyond Budgeting

When the two researchers studied the 40 companies who had applied an alternative management method, they discovered that the companies did it without academic literature and help from external consultants (Bogsnes, 2012). The companies, therefore, had very different management approaches, which were hard to categorize. However, what they had in common was that they all they replaced an inelastic budgeting process and centralized control to processes that were more adaptable and structures of decentralized character (Hope & Fraser, 2003a). Further, by looking at the company's common features, the researcher discovered that the research objects did share some principles, which became the basis of the twelve Beyond Budgeting principles (ibid). The twelve principles formed by Hope and Fraser (2003a) can respectively be divided into two categories: change in leadership through radical decentralization and change in process by making it adaptive. In the following the principles of each category will be presented.

Adaptive Process Principles

In the first category, there exist six principles, on how to make a company have more adaptive and dynamic processes and break free from the negative consequences that the budgeting process has provided. The six principles are respectively (Hope & Fraser, 2003a, pp. 69-89):

1. Set stretch goals aimed at relative improvement.
2. Base evaluation and rewards on relative improvement contracts with hindsight.
3. Make action planning a continuous and inclusive process.
4. Make resources available as required.
5. Coordinate cross-company actions according to prevailing customer demand.
6. Base controls on effective governance and a range of relative performance indicators.

The mentioned principles will make the process within the business a more continuous and adaptive affair and result of these principles are shown in the figure below (Hope & Fraser, 2003a):

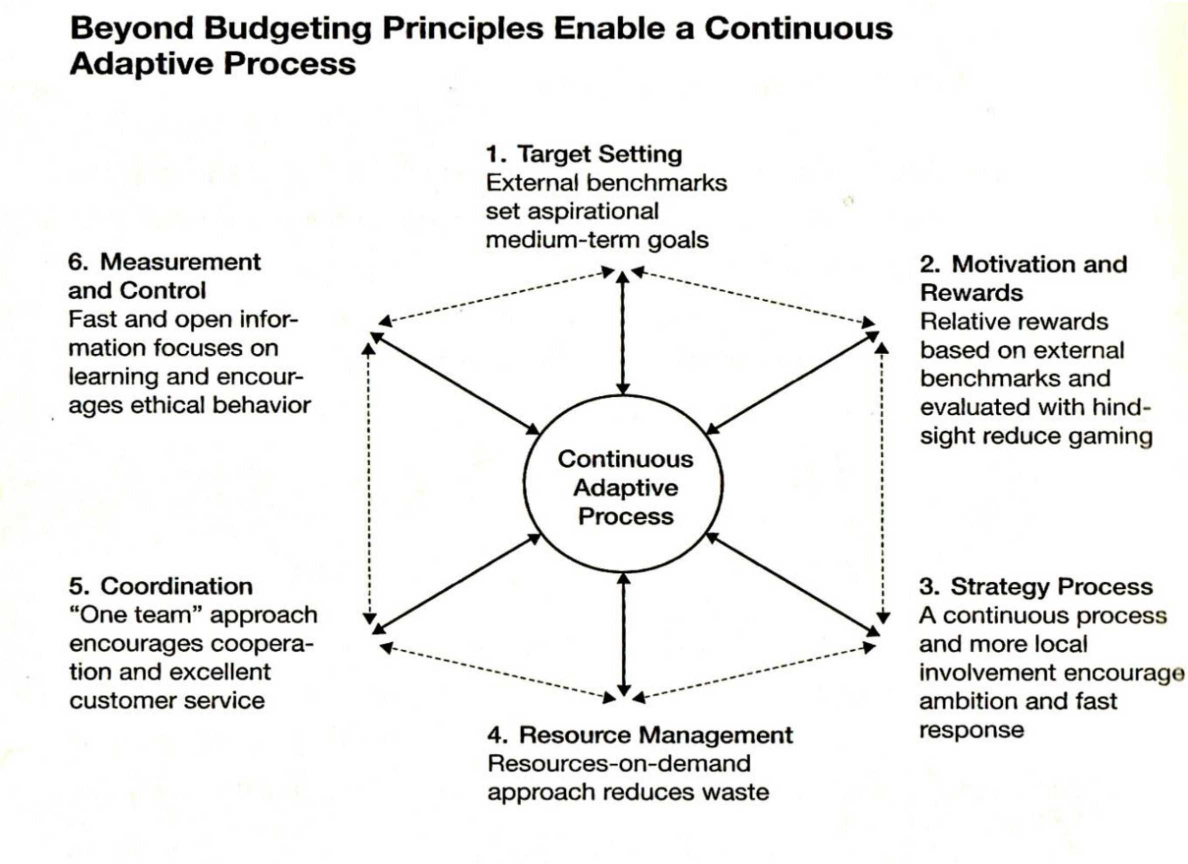

Figure 2: Principles Enable a Continuous Adaptive Process (Hope & Fraser, 2003a, p. 70)

When an organization abolish their budgets and hence the fixed performance contract, the behavior and attitude of the organization's employees can be changed and formed, and the risk of managing earnings is reduced (ibid).

Radical Decentralization Principles

In the second category, it exist six principles that shows how a company can change their leadership by creating a decentralized organization and in turn create the success that is viable. The six principles regarding decentralization are respectively (Hope & Fraser, 2003a, pp. 143-157):

1. Provide a governance framework based on clear principles and boundaries.
2. Create a high-performance climate based on relative success.
3. Give people freedom to make local decisions that are consistent with governance principles and the organization's goals.

4. Place the responsibility for value-creating decisions on front-line teams.
5. Make people accountable for customer outcomes.
6. Support open and ethical information systems that provide "one truth", throughout the organization.

These six principles will, according to Hope and Fraser (2003a), create a culture within the company that is based on teams and a culture where the employees are accountable for the results. Making employees feel accountable for the results, increase their feeling of responsibility towards the organization. This culture will be created by a clear framework, which will lead to that those who are working on the front line can have the opportunity and trust to make decisions where they occurs and this would apply throughout the organization. When authority is distributed effectively and appropriately throughout an organization, it will make it possible for a company to adapt to the changing environment that can lead to sustained success. The results of these six mentioned principles are shown below (Ibid):

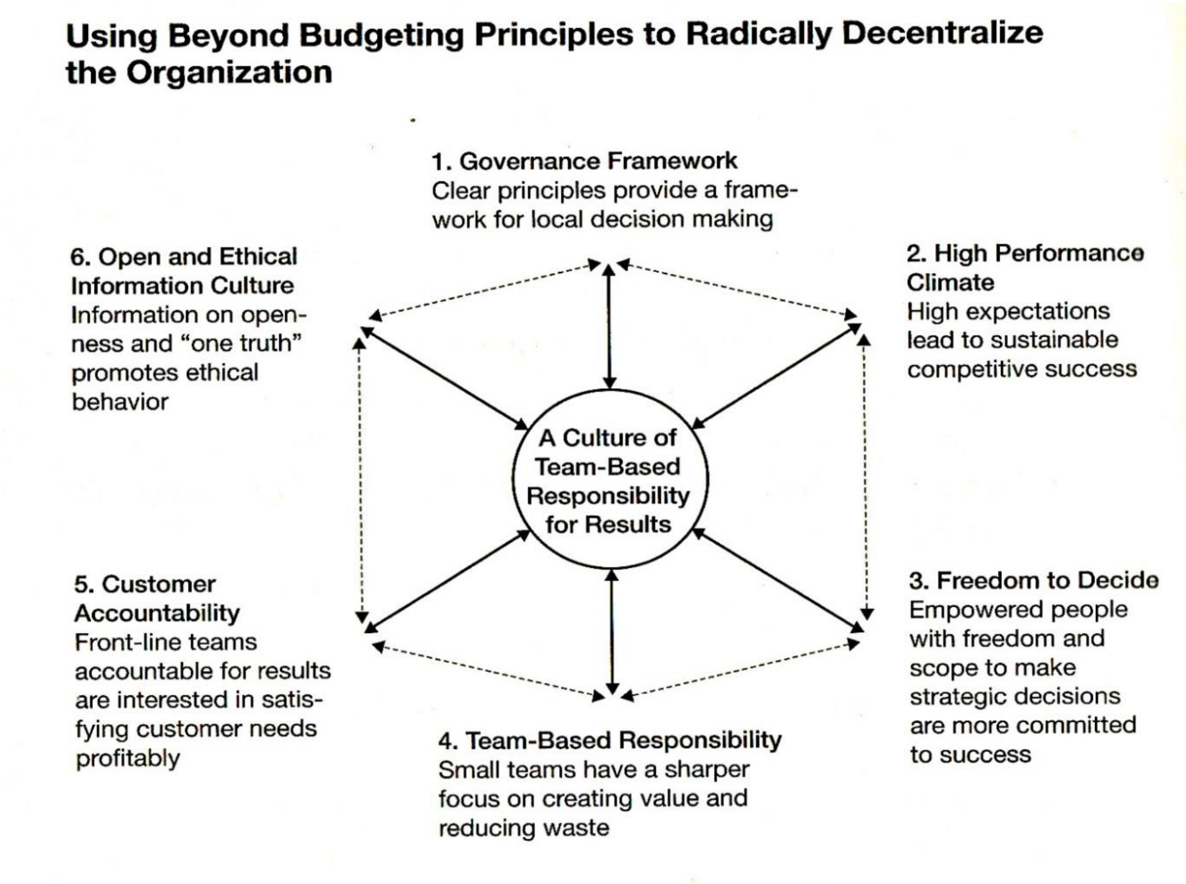

Figure 3: Principles to Radically Decentralize the Organization

(Hope & Fraser, 2003a, p. 144)

2.3.2 Different Management Tools

As mentioned, Hope and Fraser (2003a, p. xix) explains that beyond budgeting is *"not a toolset designed to fix a specific problem with budgets or anything else".* Therefore, a company that is intrigued by the method cannot read a Beyond Budgeting recipe and implement the approach overnight. The Beyond Budgeting principles presented in the previous section can guide a company and help them implement the vision. However, the principles do not constitute a new full-fledged management accounting model. For companies to get the best result possible, in the long run, companies have to adapt both the process principles and leadership principles, and some have used recognized tools to support the adaptation. There have been developed a wide range of tools to help solve the problems with the traditional management tool. What tools and how company's implement the beyond budgeting vision varies from company to company since it is not a standard management tool (Bogsnes, 2009). These tools are supposed to support the front-line manager and are respectively: Rolling Forecasts, Shareholder Value Models, Balanced Scorecard, Benchmarking, Activity-Based Management and Customer Relationship Management. In the following, a selection of the most common tools will be introduced.

Rolling Forecasts. The purpose of using rolling forecasts is to make a company's processes quicker and to create a better forecast of the future, for instance, the next month or the next quarter (Bergstrand, 2009). Rolling forecasts are one of the most important features of an adaptive process, they only cover the important figures and help managers to manage the expectations that shareholders have (Hope & Fraser, 2003a). Moreover, rolling forecasts makes it more convenient for the finance department to manage cash requirements and is a helpful tool for managers that handle the company's operations (ibid).

The Balanced Scorecard. In the early 1990s, Robert Kaplan and David Norton introduced the balanced scorecard (Hope & Fraser, 2003a), which was a tool to measure a company's performance (Hoff et al., 2009). The balanced scorecard included both financial and non-financial measures. If the balanced scorecard is implemented well, then it should be able to show the strategy to each unit within the business, so that managers can create an organization that is more orientated regarding its strategy (Hope & Fraser, 2003a). Since the balanced scorecard was introduced in 1992, the method has been further developed and adjusted and today the balanced scorecard equals a method that implements a business's strategy (Hoff et al., 2009). The concept is that a business can evaluate its development from four different perspectives, which respectively are a financial perspective, customer perspective, inter-business process perspective and lastly a learning and growth perspective (Hoff & Bjørnenak, 2010).

Benchmarking. This ongoing tool aims for improvement by measuring performance against external or internal standards, to see how the company's performance is compared to other companies or other departments (Horngren et al., 2012). If a company uses benchmarks, a company can get an overview of how competitive they are in comparison to its competitors, and it may be useful to develop standards in important areas (Ibid). In other words, benchmarking is used to seek outstanding achievements in the outside world and define the achievement gap between their business and the outside world. By benchmarking one can analyze what it is that needs to be done to reduce or eliminate the gap completely (Hoff et al., 2009). Benchmarking can motivate employees and make the organization more adaptive by constantly improving, since knowing that other departments or companies have made it gives employees a reassurance that it is possible (Hope & Fraser, 2003a).

2.3.3 Companies that have implemented the Beyond Budgeting vision

As of today, there are not many companies have abolished the budgeting process completely; however, some have accomplished it and in the following, some of the most known Beyond Budgeting companies will be presented.

Svenska Handelsbanken. The practice of abandoning the budget and developing an alternative management model started in a Swedish bank called Svenska Handelsbanken, back in the year of 1970 (Bogsnes, 2009; Wallander, 1999). Many practitioners and academics view this case as "the pioneer" of the Beyond Budgeting philosophy (Bogsnes, 2012). At this moment in time, Jan Wallander was the CEO of a bank called Sundsvallsbanken when he was offered a position as executive director at Svenska Handelsbanken (Wallander, 1999). Svenska Handelsbanken was losing customers to Sundvallsbanken, and, therefore, the bank wanted to hire

Sundvallsbanken's CEO to get back on track. Wallander accepted the offer on the condition that Svenska Handelsbanken had to approve to decentralize drastically and since 1972, the bank has outperformed its Scandinavian competitors (Bogsnes, 2012; Hope & Fraser, 2003c). Svenska Handelsbanken is now one the most cost-efficient banks in the world (Hope & Fraser, 2003c). Each branch of the bank handles achieving satisfied customer and strives to be cost-efficient (Ibid), in other words, the front-line employees are given trust and authority leading to the effective treatment of customers. Wallander replaced the traditional budget with a new model that would achieve happy customers at low costs. (Bogsnes, 2009). The new model had the following features: a flat structure, branch and regional authority, focus on customers not products, transparent performance data, no individual bonuses and a strong value-based culture (Bogsnes, 2009, pp. 56-57).

Statoil. Another famous Beyond Budgeting case is Statoil, who started to implement a version of the Beyond Budgeting model in 2005. Bjarte Bogsnes, who had experience with the alternative management system from his previous position at a company called Borealis, led the implementation. Statoil called their version "Ambition to action,"

2.3.4 Criticisms against Beyond Budgeting

Bogsnes (2009, p. 56) remarks: *"Beyond Budgeting is less of a recipe and more of a philosophy,"* therefore solutions will not be equal to companies that choose to implement the model. Beyond budgeting is not meant to be a simple solution, when implementing the vision there will be problems and challenges, however, the more an organization understands what philosophy, the better chance of succeeding. Hope and Fraser (2003a) believes that Beyond Budgeting is the answer and that fixed performance contracts belong to the past. By implementing the vision of the new adaptive management model, an organization will have a competitive advantage. Furthermore, the authors address that Beyond Budgeting is not just about changing an organization's process; it is about changing the inherent mindsets (Ibid). Having that said, the Beyond Budgeting model is not suited for every company and in the following criticism against the model will be presented.

First, the Beyond Budgeting approach have been criticized regarding the relative performance evaluation. Many companies do not have the luxury of finding competitors that are suitable to measure performance against (Hansen et al., 2003). A reason that companies do not have good relative performance data can be because the environment is changing so quickly, and it is, therefore, impossible to compare. Moreover, it is illuminated that radical decentralization of a firm's decision-making depends on the context of a business, that decentralization is limited in relation architecture of the organization in question. Whether it is appropriate to decentralize must be evaluated based on strategy, production process, market structure and the degree of asymmetric information (Ibid).

Østergren and Stensaker (2011) points out different difficulties with the Beyond Budgeting method in their research. One of them is that the model potentially can replace the budgeting gaming behavior with new dysfunctional behavior that leads to new games. A potential new game can be regarding the dynamic allocation of resources which involves subjective opinions on what to invest in and not (Ibid). Moreover, Rickards (2006) addresses that the model only have been implemented by a few companies and that budgets still are the most commonly used management control system. It is also highlighted that many of the studied Beyond Budgeting firms have not abandoned the budget process completely (Ibid). One of the reasons why few companies have implemented the new management control system can be because the principles about leadership and process are not specific enough. The principles only provide general guidelines, and it can, therefore, be difficult for a company to grasp how the new management system should be implemented. Another reason is that there exists too little empirical evidence regarding the results of the method, and, therefore, those who are unconvinced will remain skeptical (Ibid).

As pointed out, Beyond Budgeting is not a standard solution; therefore, an implementation of the approach may lead to an unexpected result. Sandalgaard and Bukh (2012) believe that the new management tool may not be right for every type of organization and may not be appropriate for any situation. It is also noted that it can be difficult for a firm to replace fixed targets with relative ones and that how detailed a budget should be varied from firm to firm. The researches, therefore, suggests that it should be studied if a combination of fixed and relative targets could be a form of evaluation. To develop the understanding of the impact Beyond Budgeting has on companies, further research and investigation is needed.

2.4 Managing change

> *"Major Changes – both the major threats and the major opportunities – will dominate the executive's task in the next 10 to 15 years, maybe even longer." (Drucker, 2003, p. 3)*

Before the war, the issue for corporate managers was how they should coordinate their organization, they did not have calculators nor highly developed information system. The way you chose to control a business back then was to limit the employees and not leave any room for flexibility. This form of control fits well with Theory-X vision McGregor described in his book "The human side of enterprise". Companies in today's society still need to be monitored, organized and controlled. However, it is no longer sufficient to control the staff by setting up a budget and let it rip (Morlidge & Player, 2010). There is a need for change, and companies must find a way to survive in today's society that is constantly changing at a rapid pace (Kloot, 1997). According to Otley (1994) it is the organizations that can adapt to the surroundings changes best, who will survive. An organization can change in two ways to adjust to a new environment, either by being adaptive or by being generative (Kloot, 1997). An adaptive way do not go through pragmatic changes while a generative way is to change into new forms and structures. The management system of an organization can contribute to change or the management control system can help the organization to deal with the change (Ibid).

In the following, theory concerning the link between management control, strategy formulation and objectives setting will be presented. Furthermore, the concept of change champion will studied and explained will be explained.

2.4.1 The Link between MSCs, Strategy, and Objectives

A central feature of a corporate management system is, as mentioned earlier, formulation and planning of strategy (Anthony et al., 2014). For many companies in today's society is the horizon for strategies much shorter than it has been previously

(Hoff et al., 2009). Consequently, managers of such firms must change the financial management to adapt to the new reality (Ibid). The pace of innovation and change are formidable in many industries, and this leads to increased competition and shorter life cycle for products. Leaders today must have the ability to restructure a company fast and be proactive to the changes. If leaders want their business to be hanging in the turns, the strategy is an essential prerequisite (Ibid). A strategy is a plan that addresses how an organization will achieve the goals it has set itself and also addresses how the organization will increase shareholders value (Roos, Krogh, & Roos, 2005). The design of strategy is initiated when a threat or an opportunity occur and takes place unsystematic as threats and opportunities do not arise in a fast rhythm (Anthony & Govindarajan, 2007). The strategy is an indication of which direction the company should move to reach certain goals and specifies the focus now should have (ibid).

For a company to have a competitive advantage and superior performance, the management control system must be designed so that it supports the strategy (Langfield-Smith, 1997). A corporation's strategy was not used as an explicit variable related to research on management control systems until the 1980s. Traditional methods of management control have focused on management accounting as the most valuable tool in the process. Moreover, it has been assumed that organizations are stable and large, however, in today's society there exists much more uncertainty than before (Otley, 1994). Due to this uncertainty, organizations must change. There exists two different ways an organization can cope related to the changes occurring. One way is to plan what, and how to change and one must, therefore, anticipate what the future holds. With time, it has become difficult to predict the future. Organizations also need to focus on how to adapt to the new environment, rather than how to cost minimize efficient operation. The other way to cope with changes avoids the forecasting problem by a focusing on flexible and dynamic development instead, by being flexible a company can change rapidly shifts the surroundings. Due to the extensive and present changes, it is not enough to let a few leaders develop a firm's strategy. One must rather let the strategy be a process that is part of the organization change and ensure that the plan reaches out to the company's operations. By letting the plan reach furhter out in the organization one invovles several of the organization's employees (Ibid).

Another expression of changing the organization as a response to the shifting environments is organizational learning. When an organization goes through strategic changes, the administrative system also goes through a change as well, which include change in the management control system (Kloot, 1997). As an example if an organization is going to amend its manufacturing strategy, changes in the management control system needs to be done as well. Organizational learning and management control systems are both focused how to make the organization suitable for it surrounding environment, and Kloot (1997) suggest that management control systems play an important part regarding change. Both how a management control systems is designed and used effects change. For management control systems to be helpful, one needs a broad view and not be limited to the traditional budgeting interpretation of a control system. The relationship between strategy and management control system will be further explained in the following.

Until now, the relationship between strategy and management control systems has been vaguely debriefed. According to Merchant and Stede (2012a) a management control system consist of the following:

Functions	*Resources*	*Processes*
Product (or service) development	People	Objective setting
Operations	Money	Strategy formulation
Marketing/sales	Machines	Management control
Finance	Information	

Figure 4: Different ways of breaking down the broad are of management into smaller elements (Merchant & Stede, 2012a, p. 6)

Objective setting is also a part of management and is an important prerequisite for management control systems and all the activities of an organization (Merchant & Stede, 2012a). Usually, objectives are financial and measurable; however, objectives can also be non-financial and implicit. The purpose of the objectives is that they should ensure that employees have an understanding of what the organization wants and what the organization is trying to achieve. Objectives are the strategies intentions, and the strategy shows what is needed for the organization to meet its goals. The strategy formulation means that employees should be led in terms of how to accomplish the goals, and management control looks at whether employees behave accordingly.

Management control consists of all systems managers use to ensure that the employees' choice and behavior are consistent with the organization's goals and strategies. Management control is often referred to as management control systems. The relationship between management control systems, strategy formulation, and objective setting is shown in the figure below and based on a figure made by Merchant and Stede (2012b):

Figure 5: Management and its components. (Merchant & Stede, 2012b)

The figure shows that the three components are interdependent and affect each other. Change in management control leads to change, or influence, respectively in the company's strategy formulation and the company's objectives. Change in either strategy or goals leads to changes in the remaining two items.

2.4.2 Change champion

An organization in today's environment undergo change continually and are either determined by external or internal variables. Therefore, it is becoming more important for a company to be able to handle strategic and significant change (Chrusciel, 2008) and no organization is immune to it independent of its size (Kotter, 1998). For a company to stay competitive and survive, they need to recognize these changes and adapt accordingly (Chrusciel & Field, 2003). An essential part of a successful change within a company is a change champion, which motivates the rest of the team or firm to make a strategic change (Chrusciel, 2008).

A strategic change, or a significant change, can be defined as a change that appears in a firm because of substantial organizational adjustment, for instance, a new management control system, or financial changes. Most change initiatives that company's implement are not successful and as much as e 70% of all change initiatives fail (Burnes & Jackson, 2011). Organizations fail to sustain significant and strategic changes even though a lot of resources are spent (Senge, 2014). One of the main reasons as to why a change does not succeed, is because there is no correlation between the value system and the employees who undergo the change in an organization (Burnes & Jackson, 2011). Research, both field studies and case studies have shown that it is crucial to have an internal change champion to make success in terms of product innovation. A change champion is a person who acts as a promoter of innovation in your organization (Howell & Shea, 2006). The duties of a change champion is according to Howell and Shea (2006, p. 181):

> «*Expressing enthusiasm and confidence about the success of the innovation, getting the right people involved, and persisting under adversity*."

A change champion is supposed to turn the attitude of employees who perceive change as something negative and frightening and must have characteristics that lend themselves to getting employees involved and committed to change (Chrusciel, 2008)- When an organization experience change, it is inevitable that one will meet resistance regarding the change (Henry, 1993).

Facing a change means that members of the organization must change their behavior and modify their behavior, and this breeds opposition. A change champion is responsible for overcoming the resistance, as it is the a change champion that has the vision. The procedure to overcome opposition is then for the change champion to share the vision, and consequently the change champion must be proactive when facing hesitance. Whether the vision is shared throughout the organization is highly dependent on the ones who resist the change (Ibid).

Characteristics of the right kind of change champion is that the person is viewed as credible in the organization, and it is also important that the champion is flexible (Chrusciel, 2008). For a change champion to successfully lead change, the person must both have the right personality, skills and experience, which can be regarded as human capital. In addition, a satisfactory champion has social capital as adequate information, confidence, facilitate standards, etc. What further characterize a change champion is that it is a person who is willing to take risks, are confident and take ownership of the current change. Belasco (1999, p. 9) state the following:

> *«You won't generate much excitement around new vision until you enlist and empower champion change agents."*

Further, the author points out that for vision and change to reach out to the entire organization, one must empower employees at all levels and demonstrate how the new vision will transform everyday life (Ibid). A change champion do not only value his or hers individual need to change and learn, but also value how important it is that their organization gets more knowledge (Chrusciel, 2008). Furthermore, a change champion is not a superhero, but a person who is driven by the organization's success and is willing to act to take the initiative to promote the change that takes place. Change champions are therefore seen as team players who are motivated by the organization jointly doing well. An organization that is looking for a change champion should look for someone who appreciates mutual success and cooperation rather than success on their own if the company wants the best possible result (Ibid).

What is the single biggest driver of an organization to change, often proves to be a new leader in a key position in the organization (Kotter, 1998). Such a change manager may well be in the middle of the organization and upwards. Often to be a new leader of a department and a person who comes new to the business as a new vision and perspective of things. A change champion is a person who can see how the organization is run today is not acceptable, and therefore it required a change (Ibid).

2.5 Theoretical summarize and implications

Earlier in this chapter, criticism of the budget process was presented and elaborated. The budget process has faced much criticism in recent years, and one may wonder why companies choose to cling to their traditional management systems in relation to how many negative aspects that have been pointed out related to the process (Hansen et al., 2003). The former CEO of GE, Jack Welch, has stated that budgeting is «the most ineffective process in management» (Horngren et al., 2012, p. 209). Since the budget process is widespread, Horngren et al. (2012) conclude that the benefits of the process must outweigh the downsides. Bogsnes (2009, p. 2) is scratching their heads and wondering why businesses retain budget when it creates dissatisfaction and think that one reason may be that managers look at the process: «an irritating itch, but not as a dangerous disease». Neely, Sutcliff, and Heyns (2001) notes that the budget process is difficult to put down, since budgets continue to act as a centralized coordinated activity, and that the budget is often the only process that addresses all organizational activities.

One can also ask why some companies choose to implement an innovative management tool such as a version of Beyond Budgeting or other innovative models and other companies choose not to do so. According to Ekholm and Wallin (2000); (Neely et al., 2003) it is the negative aspects in relation to the budget which is why companies choose to change their management. Negative aspects are among other things, the fact that the budget is time-consuming and the fact the benefits do not outweigh the burdens. Another negative consequence of the method, is that the budget is not linked to strategy. In other words, the shortcomings of the budget that involves change. It should be elucidated that it is not necessarily the case that an innovative management system is being implemented by a business, even if it is appropriate for the company and the current system is not appropriate. What leads to the adoption of a particular management system may have several different causes (Abrahamson, 1991).

In this study, it is examined why Hennig-Olsen chose to implement an innovative management system, instead of keeping the traditional budget. It will be reviewed whether the company has experienced the criticisms against budget presented earlier in the theoretical part, to get an insight as to why Hennig-Olsen chose to implement Dynamic Management. It should be considered whether the company got rid of budgeting to solve the problems the traditional process created. This will be help to provide insight into why the company has decided to change its management system. It is expected that what the budget has been criticized for has been a decisive factor in the removal of the traditional management system. It is anticipated that Hennig-Olsen has experienced a lot of criticism gathered in the figure below:

Criticism against budgets
Budgets are resource intensive.
Budgets are not continuous enough.
Budgets are rarely linked to strategy.
Budgets do not have the right focus.
Budgets are not either dynamic or reactive.
Budgets create gaming and dysfunctional behavior.
Budgets do not make people feel appreciated.
Budgets strengthen vertical command-and-control.
Budgets are based on unsupported assumptions and guesswork
Budgets reinforce departmental barriers rather than encourage knowledge sharing

Figure 6: Criticism against budgets

Furthermore, this study will examine the phenomenon Dynamic Management in Hennig-Olsen. Dynamic Management is about creating a tool that is forward-looking and better adapted to cope with ambient constant changes since this management tool focuses on flexibility. By being dynamic and flexible, a business can get the advantage of being more able to adapt to changes, than its competitors, thereby achieving a competitive advantage. An important factor in relation to flexibility is that corporate resources are allocated continuously with Dynamic Management, and not annually. Further focuses Dynamic Managment about preparing rolling forecasts, rather than annual budget plans. The estimates should give a realistic picture of where your business will be, and the forecasts are updated as needed. Another essential element of Dynamic Management, is that you should connect corporate strategy to the company's action plans, to realize the set goals. Decentralization of decision-making authority is also important, as increased accountability can lead to increased motivation among a corporation's employees. To gain further insight into why Hennig-Olsen changed their management, the changes the new management system has led to shall be looked at with a magnifying glass. This will be useful since the changes in the business will help to understand why the company has implemented the innovative management control system. By examining the effects of Dynamic Management, one can gain insight into whether there was a need for a new and presumably more appropriate management system and be able to compare the new process against the previous process. According to Merchant and Stede (2012a) companies change their management controls system when their old systems do not work smoothly in terms of needs and in relation to their surroundings Moreover, the authors believe that companies search for an Appropriate management system to exploit the business's potential. It is expected that Dynamic Management has been introduced for business, so the business can better adapt to the changes of environment and exploiting the company's potential better. Dynamic steering has only been part of the company in excess of a year but is expected that the new management system has been successfully integrated into the business. However, since the implementation process only has lasted a year it is anticipated that there will be deficiencies in the new management tool. Changing a traditional management system to an innovative is a complex process, it is therefore expected that there will be elements in the company's new system that still bears the mark of the budget.

Furthermore, the relationship between corporate strategy and enterprise management system examined. It will contribute to increased understanding of the assignment problem position if it reveals whether there was need for a new management system that weighed heaviest or whether there was need for a new strategy that was most precarious. This will help to provide answers to why the change of management tool to Hennig-Olsen has occurred. To uncover the needs that were strongest will provide insight into what was the motivation behind the change. It is expected that the strategy was changed as a consequence of Dynamic Management and that it therefore was the need for a new management system that weighed heaviest. The expected sequence is shown in the figure below:

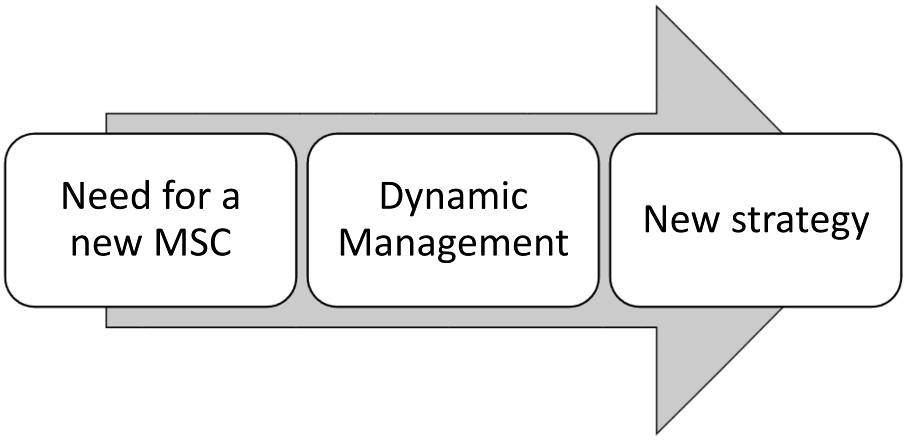

Figure 7: Expected order related to MCS and strategy

A final issue to be investigated to provide insight into the chosen problem statement, is to see whether the company has had a change champion in connection with the implementation of Dynamic Management. It should be examined whether a change champion has had a positive impact on the change of the management control system. Earlier in this chapter, it was described what a change champion is; a change champion is a person who acts a promoter of innovation and change in an organization (Howell & Shea, 2006). Based on this definition, it will be considered whether there has been a change champion that promoted change in Hennig-Olsen. This will help to determine the cause of why the company implemented the new system. Based on the review of relevant literature in relation to change champions and the link between management control, strategy Formulation and objectives (cf. Figure 5), a change champions potential positive influence on change of a corporate management system could be presented as the following:

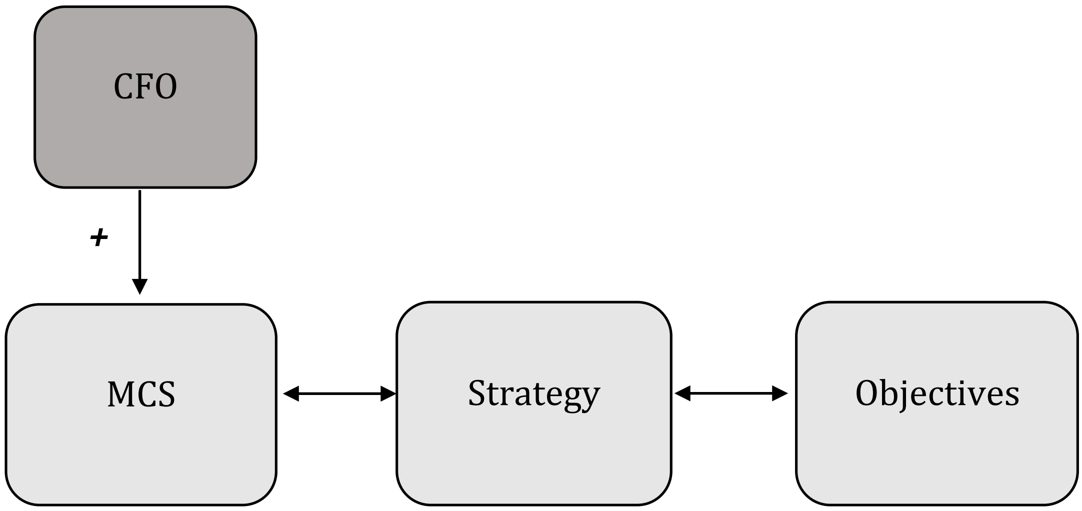

Figure 8: A change champion's effect on MCS

On the basis of the above factors to be examined, it is expected that the budget's negative aspects, the need for a new management system and a change champion has had a positive impact on the transformation of the enterprise's management control system. This can be summarized in the figure below, where it will be shown what could have affected the Hennig-Olsen's decision about reject the budget in favor of Dynamic Management:

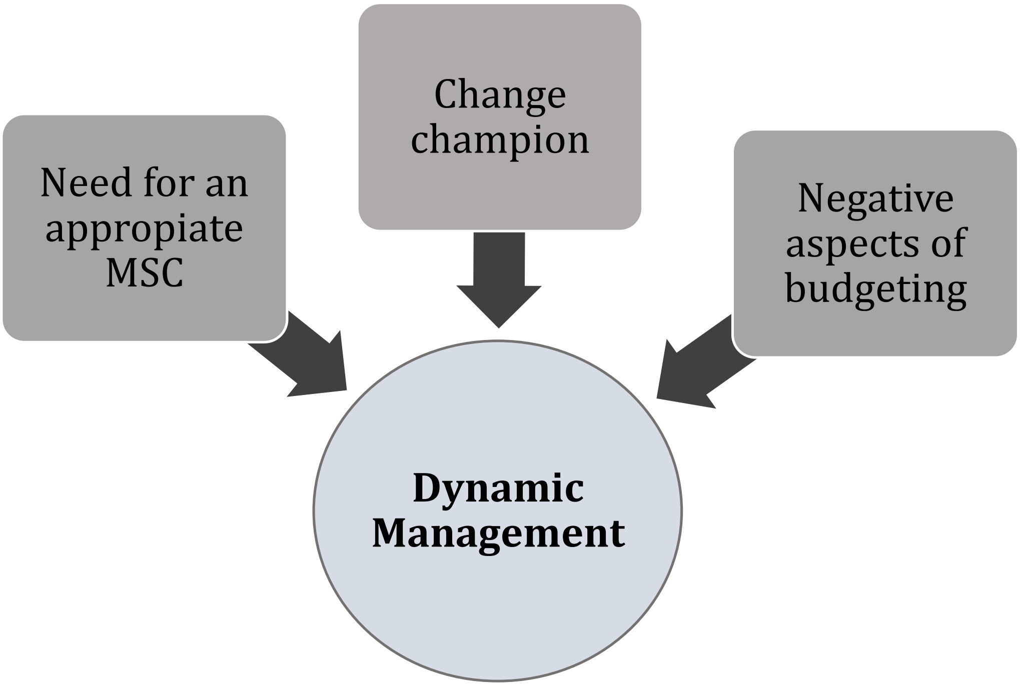

Figure 9: Different impacts that led to the implementation of Dynamic Management

It is expected that there are three factors in particular have had an impact on Hennig-Olsen's implementation of Dynamic Management (cf. Figure 9).

Finally, on the basis of presented theory, a theoretical framework for the study will be formed. Based on the review of what may have an impact on the change of the management system of a company, both negative aspects of the budget, the need for innovative management system in relation to exploiting of potential and a change champions influence in relation to the change, the following theoretical framework will apply to the study:

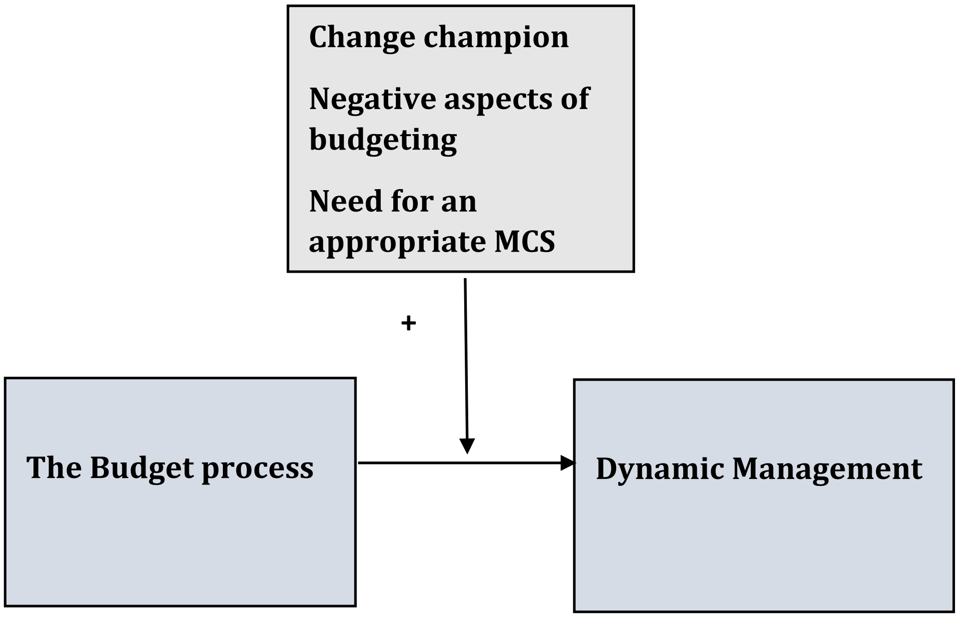

Figure 10: Theoretical framework

It is expected that elements: change champion, negative aspects of budgeting and a need for an appropriate MCS, will have had a positive impact on the company's decision to amend its management system. The framework will be the basis for the study of the implementation of Dynamic Management at Hennig Olsen, forming expectations as to why the company have chosen to implement Dynamic Management.

Part III: Research method

"The case of change is critical. If an organization or a management team does not understand the fundamental problems with traditional management and the damage they cause, there will be limited appetite for what the alternatives might be"

(Bogsnes, 2009, p. 192)

3.0 Outline

In this third part of the study, the methodological choices for the research will be presented. The purpose of this chapter is to explain the methodological choices that have been made and what the decisions have led to in relation to the result of the study, both in terms of research design, research quality and conducting interviews. Firstly, a short introduction of research method will be presented, before moving to the design of the study. Furthermore, the object of the study will be introduced and lastly the method for the data collection will be described.

3.1 Introduction to research method

> *"Method, from the Greek methodos, means to follow a certain path towards a goal."*
> Johannessen, Kristoffersen, and Tufte (2004, p. 33)

A research is supposed to answer one question or more, in a systematic way (Jacobsen, 2000) and a good research is distinguished by choices that are thoughtful and well-founded (Punch, 1987). To answer the question, one must have a systematic process, which in technical terminology is called method (Gripsrud, Olsson, & Silkoset, 2004) and one can view method as the tool researchers use to answer the research method (Hesse-Biber & Leavy, 2011). Which method a researcher choose in order to respond to the problem statement depends on several factors. Dependent factors can, for instance, be that the objective of the study is and what resources the scientist has at the disposal (Gripsrud et al., 2004). The purpose of finding the answers to a problem statement is to know whether or not the researcher's assumptions are correct and, therefore, obtain new knowledge (Jacobsen, 2000). In this study, a Beyond Budgeting approach by the company Hennig-Olsen is explored, and the approach is named Dynamic Management. The company chose to implement Dynamic Management and abolish their traditional management system in 2014. In this research, the firm's new management control system is investigated, and the purpose of the study is to answer the following problem statement:

> *Why did Hennig-Olsen change their management control system?*

To answer this problem statement, Hennig-Olsen's version of the Beyond Budgeting model is studied. The research will look at how the company implemented Dynamic

Management, what Dynamic Management has done to the enterprise and how the company managed their business before the new management control system.

3.2 Research design

When a researcher has defined the research questions for a study, the next step is then for the researcher to choose a design for the research that is suitable for the research question(s) (Jacobsen, 2000). The design of research can be viewed as how research is carried out from start to finish (Johannessen et al., 2004). The problem statement for this study is why Hennig-Olsen chose to implement Dynamic Management. To answer the question, the study will focus on how the conditions were before the implementation of the new management control system and how the implementation was carried out. Furthermore, the study will concentrate on the changes Dynamic Management has caused. In the following it will be discussed what a study design is and what factors determine which design you choose.

A research design is a description of how to carry out the analysis process in order to solve the current problem (Gripsrud et al., 2004), and research design is the logic that glues together the data one collects to answer the current research question (Yin, 2014). In other words, the research design is the road from the researcher's study question to the conclusion of the research and the plan on how to achieve the goal of the research(Ibid). Which design a researcher choose will have implications for the validity and reliability of the study. Validity is about whether the research design chosen for the study is suitable for the selected issue, and reliability revolves around if the research design affects the outcome of the research (Jacobsen, 2000). Furthermore, it is important to know what kind of data the survey requires, how the data should be collected and how the data will be analyzed (Gripsrud et al., 2004). What determines the choice of research design is what exists of knowledge already, and what the purpose of the study is (Ibid).

In terms of research design, there are several ways to solve it, both in terms of design and in terms of time. Research that is dealing with finance and accounting attempts to solve problems, study conditions and build new knowledge (Smith, 2011). The use of case studies have increased when examining company's financial management system

(Ryan, Theobold, & Scapens, 2002). Case study is a research method that is used in many fields and many situations (Yin, 2014). Accoridng to Farquhar (2012, p. 5) as case study can be defined by the following:

> «*An empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident."*

When one uses a case study as the research design, the researcher gets the opportunity to examine the phenomenon in context, which means that for business research one can obtain evidence where the phenomenon actually exists (Farquhar, 2012). By limiting the area of the study to a small number of units, a researcher who uses a case study has the opportunity to go into depth in the area or the phenomenon that the researcher wants to study (Ibid). Furthermore, a case study is appropriate when there do not exist clear boundaries between the phenomenon a researcher wishes to study and actual context (Yin, 1981). Case studies are searching for an understanding of the dynamics present in the setting one studies (Eisenhardt, 1989). For case studies, it is typical that a researcher combines data collection methods, such as interviews, observations or surveys. In other words, with case studies a researcher can use either qualitative or quantitative data collection methods or a combination of both (Eisenhardt, 1989). Case studies are preferable in the three following situations (Farquhar, 2012; Yin, 2014):

1. When the researcher has questions starting at why, who, and how desired to be answered.
2. When the researcher does not have much control over the actions.
3. When the focus revolves around a temporary phenomenon

If one follows the mentioned components, the researcher can retain the existing theory, modify the theory, develop the existing theory or form entirely new theory in the analysis of the study's result. A case study is relevant to a researcher who wants to answer profound questions about a phenomenon. According to Yin (2014) case studies are most suitable to answer research questions starting with why, how and who. To answer why, how and who questions, a case study can be used as a tactic where one can use several types of data, both secondary and primary data sources.

Based on the three mentioned components that Yin (2014) finds suitable for a case study, a case study is an appropriate choice of research design for this study. Firstly, the problem statement begins with "Why" and a case study is appropriate for these kinds of research questions. Furthermore, a case study gives the opportunity to examine how Dynamic Management has changed the company so far and why the company's management system changed. The interpretation of the case study will help to determine whether the theoretical implications presented in Chapter 2 will be modified, expanded or remain the same.

There exist three types of case studies according to Yin (1981), and they are respectively: exploratory, descriptive, and explanatory case studies. An exploratory case study has the purpose of identifying the research question or the procedure being used. One can avail exploratory case study to study less familiar phenomena and then presumably get a better insight into the phenomena being studied (Yin, 2014). With the case study type mentioned above, data may have been collected before the research question has been shaped, or the hypotheses have been proposed (Zainal, 2007). Descriptive case studies describe natural phenomena, and the purpose is that the researcher should be able to describe the collected material as the data precursor (Zainal, 2007). In other words, the researcher is studying the phenomenon in its natural context (Yin, 2014). One can shape descriptive case studies in a narrative way and the challenge with this type of case study is that the researcher(s) must start with descriptive theory to substantiate the phenomenon or the story that the survey focuses on (Zainal, 2007). The last form of case studies is explanatory case studies, which focus on explaining why or how specific conditions have occurred. For instance, an explanatory case study can be to investigate exactly why a series of events occurred or why the events did not take place (Yin, 2014). Explanatory case studies examine the data collected both on the surface and at a deeper level to answer the research question and explain the phenomenon (Zainal, 2007).

For this study is suitable to choose an explorative case study, as one in principle do not know what the outcome of the research will be. With explorative case studies, one will often encounter problems and issues along the way, which were not taking into consideration ahead of the study (Johannessen, Christoffersen, & Tufte, 2011). Furthermore, Dynamic Management is not a widely spread phenomenon, and it will therefore not be suitable to choose a descriptive case study or an explanatory case study. A descriptive or an explanatory research will not be appropriate for this case study, as research aims to investigate why the company changed their management system.

In terms of number of units in the analysis, one can use one singular case or more with case studies and respectively there is a distinction between single- and multiple case study designs (Farquhar, 2012). In this paper, a single case study is chosen, when one with an exploratory case study wants to get a deeper understanding. Studying one case will provide more profound insight than if more cases were to be studied.

Benefits of having a single case is that one can get more depth, insight and revelations (Farquhar, 2012), which fits well with the problem statement of this report, as one wants to get in-depth insight as to why a change in management has occurred. There are disadvantages of selecting single-case study as research design for a study. One disadvantage is that it 's hard to substantiate credibility with the arguments one develops based on the result of the research. Another problem is that it is harder to make the outcome of the research transferable when one only focuses on one object of study.

According to Yin (2014) there exists two dimensions on how to design a case study. One dimension is the number of cases that are selected and the second dimension is whether it is selected one or more analysis units. Combined these two dimensions creates four different ways to design a case, respectively single-case designs holistic, single-case embedded designs, multiple-case holistic design and multiple-case embedded designs (Farquhar, 2012; Yin, 2014). A holistic design focuses on a single-unit, and an embedded design focuses on multiple units. For this study, a single-case of embedded design is chosen, as several units at Hennig-Olsen will be investigated and the reason for this choice will be further elaborated later in this chapter. For this study, a single-case of embedded design is chosen, as several units at Hennig-Olsen will be investigated and the reason for this choice will be further elaborated in the next section.

This case study is of an exploratory design, and it would, therefore, be appropriate to a have a single case when one is focusing on understanding and getting a deeper insight regarding the change of the company's management system. By examining the company in depth, exploratory design will presumably be suitable to give insight into why Dynamic Management has been introduced and what changes have resulted. It would presumably have been more difficult to gain sufficient insight by studying multiple cases when investigations of several cases would lead to a more superficial understanding with the given timeframe for this study. Moreover, Dynamic Management is not circulated widely yet, and it will, therefore, be difficult to find several cases that are suitable for comparison. The concept of Dynamic Management is not specific enough at this point. Furthermore, it is selected an embedded single-case study since there are several units of analysis at the company that will be examined in the research. Studying several different analysis units will presumably underpin an increased understanding and a greater insight to the case study, because one will have gather information from various units. If only informants from one unit within the company are interviewed, the insight regarding Dynamic Management would perhaps not have been nuanced enough. In the enterprise, the units have different functions, and consequently the units presumably will have adopted the new management system in various ways. The fact that the new management system will be tailored to the various functions of the enterprise could have an impact on how Dynamic Management is perceived by the different units.

3.3 Research object

In this study, the company Hennig-Olsen is the object of research. Recently, the company has chosen abolish the previous traditional management system and implement a new management system. The company decided to drop the budget process in 2014, having prepared for the introduction of a new management system for two years. The new management system is called Dynamic Management, "dynamisk styring" in Norwegian and is inspired by the Beyond Budgeting philosophy described earlier in the paper. Dynamic Management is a management system that focuses on creating a stronger link between company's strategy and the company's actions through a more flexible and dynamic financial management. One of the ways of making a management system more flexible is to allocate the company's resources continuously and not annually during the budget settlement.

Hennig-Olsen is about to develop a more dynamic way of managing their company, and since the issue is to explore why the company has changed its management. The company is well suited to a proper object of study for their management system recently have been through a molt, and the process is still ongoing. The fact that the change has occurred most recently will presumably be advantageous for the study of the change is fresh in the memory to the informants. The company is chosen as the study object to enable research regarding the changes in the company with the implementation of Dynamic Management and research on how the management control system was before the implementation. Collecting information from the company through depth interviews will lay a foundation for being able to answer the problem statement.

3.4 Method of data collection and analysis

In terms of data collection method, a distinction is drawn between qualitative and quantitative methods. The difference between the two approaches concerns about the categorization of features and the degree of structuring (Johannessen et al., 2004). A quantitative approach is structured so that one can count and quantify the phenomenon, and that there is a high level of structuring. With a qualitative approach, however, there is not arranged for quantification of a certain phenomenon, one categorizes observations afterward and it is based on what the selected informants have stated. Also, the structure of a qualitative method is more unstructured and flexible; further data collection is characterized by transparency. Thirty years ago, the social science methodology was equated with quantitative methods, with the years, the use of qualitative methodology have grown. When a researcher must choose between the two different approaches to answering their research questions, one should choose the method that is most suitable for the study (Ibid).

Based on the problem statement that is selected for this study, it will be suitable to choose a qualitative data collection rather than a quantitative method. The study deals with the implementation of Dynamic Management at Hennig-Olsen. The purpose is to understand what lies behind the implementation of the new management control system and why the company chose not to continue with the traditional management system. Therefore, it would be advantageous to choose a qualitative approach when this method enables to provide deeper insight than a quantitative approach can offer.

Collection of qualitative data is part of an integrated process consisting of analysis of data, interpretation of data and data collection (Johannessen et al., 2004). Regarding data collection there exists no standard way to do this, as you can interview, observe, analyze documents, or use visual media (Ryen, 2002). The two most common ways of collecting qualitative data is by either conducting interviews or by observing (Johannessen et al., 2004). The most widespread of the two methods is to interview informants (Ryen, 2002). By observation the data will be what a researcher observes in a particular situation and by interviewing the basis for the data of the research is formed by the conversation between interviewer and interviewee (Johannessen et al., 2004).

In this case study, the collection of data occurred through holding qualitative depth interviews to get knowledge about why the company decided to change its management system. It was not appropriate to observe the company, as it presumably would not have given much insight regarding why management was changed, and it would have been too time-consuming. Observation would be better suited if study's research questions revolved around information that would have been difficult to obtain through interviews or a survey (Johannessen et al., 2004). For example, if the study dealt with how leaders and middle managers in the company communicates in meetings, observations would presumably have been the appropriate choice of data collection.

3.4.1 Qualitative approach

Essential questions in terms of the sample is what the size should be and whom it should consist of. The researcher has to consider these questions, and the method one chooses will be involved in shaping the outcome of the sample. In this paper a qualitative method been selected, this approach is characterized by getting much data from few informants, and the purpose is to get close to the informants (Johannessen et al., 2004). There is no definite number of how great the selection should be and it can often be difficult to decide early in the process (Ryen, 2002). Moreover, the method chosen for the survey could be essential for the size of the sample (Johannessen et al., 2004). If the researcher chooses to carry out in-depth interviews, it may be sufficient to interview 10-15 people, and the sample size will often depend on how much time and resources that are available (Ibid). Another factor about the sample size is the law of decreasing returns (Kvale, 1997). The law of decreasing returns concerns that a researcher reaches a point where further interviews do not provide further insights or new knowledge. At this point, it would therefore not be appropriate to conduct more interviews (Ibid). For this study, the sample size consisted of six informants, if the company had been bigger, it could have been useful to interview more informants. However, Hennig-Olsen consists of 250 FTEs, of which the management team consists of 9 members, and it was therefore considered sufficient to interview six people. Sample size will be further elaborated later in this chapter.

As the case study is single embedded type, informants for the research consisted of a variety of the company's management including the CEO. Hennig-Olsen consists of eight different departments, with different tasks and Dynamic Management may then have affected the different departments in different ways. The company's departments are respectively purchasing, production, supply chain, marketing, quality, finance, HR, and sales. To study the potential varying influence of Dynamic Management managers of various departments are represented. Informants from various units are represented, as it is understood that the company is of heterogeneous nature and that a management system, therefore, affects the departments in varying degrees. The represented departments were respectively, finance, sales, marketing, and supply chain.

By interviewing informants from different departments, one can gain insight into how the informants experience the new management system and how it has affected them. As Dynamic Management was recently introduced Hennig-Olsen, the implementation have affected the management team of the enterprise the most. Therefore, it was necessary to interview key management personnel, as these informants would have the most insight regarding Dynamic Management and the consequences of the new management system. Based on the problem statement, it would be appropriate to interview informants who apparently have most knowledge regarding the new management system. Additionally, it will be appropriate to get knowledge of how the traditional financial management was before Dynamic Management was introduced.

To nuance the impression the management team could provide, an informant from the middle management in the enterprise was interviewed, as a middle manager could provide insight into how far implementation had come. This middle manager was also important for Hennig-Olsen's information system and since Dynamic Management focuses on the information system it was advantageous to get further insight. If Dynamic Management at Hennig-Olsen had been studied at a later point in time, it would have been appropriate to interview several middle managers. At a later point in time, the implementation would have been more integrated into the organization, and it would therefore be appropriate to interview several middle managers. Furthermore, during the interview process a researcher may discover that it can be beneficial to have multiple interviews with some informants, as some informants prove to be more important for the report (Ryen, 2002). Consequently, the company's CFO was interviewed more than once, as this person was very central to the introduction and implementation of Dynamic Management. Of the selected informants, most of them had worked for the company for several years, except the CFO. It was advantageous to interview informants with varying degrees of experience in the business. The reason why it was advantageous, is because the informants with long experience had good insight regarding how the company was managed before. Moreover, informants with shorter experience could nuanced the impression of the company's management system.

When conducting a qualitative study by holding in-depth interviews, it can be difficult to know how many interviews that will provide sufficient quantity data (Johannessen et al., 2004). This becomes evident as the research continues, and the law of decreasing returns will presumably be prominent for the researcher in an exploratory research, when one eventually achieves enough information about the phenomenon that is examined (Ryen, 2002). As the chosen approach emphasizes quality, it is not the number of interviews that will be essential to the study's content (Kvale, 1997). Depth interviews are time-consuming relative to the preparation and analysis, it can therefore be advantageous to not bite over more than one can chew. It is not appropriate to spend resources on respondents that do not add anything new to the study, other than an increased amount of data, as a qualitative approach focuses on reducing the data to what is essential for investigation (Ryen, 2002). For the study, it was conducted seven interviews broken down at six respondents, of whom five were representatives from the management team and one represented middle management. The number of interviews and informants were satisfactory in terms of information when the last two interviews only revealed smaller details and no new elementary knowledge about the studied phenomenon. After the seven interviews had been conducted, respectively in two rounds, it had been collected adequate and balanced information regarding the traditional management system and dynamic management.

3.4.2 Primary data and secondary data

The search for relevant information for a study can be a time-consuming process and also costly, and it is, therefore, important that the researcher can find and use sources effectively (Smith, 2011). Source of information can be divided into two categories, respectively primary and secondary data. Primary data is data that has been collected for the first time and secondary data is defined as information that cannot be collected directly from the source and is therefore based on existing material (Jacobsen, 2000).

The investigation started with collecting secondary data; this was done to gain better insight into the theoretical aspects to be studied and to gain insight regarding the object of study. In advance, relevant issues and themes that should be addressed during the interviews were developed, to obtain a good starting point before carrying out the interviews. Secondary data regarding theoretical perspective were based on various articles, books, and reports. Furthermore, since it has not been published relevant case studies or other studies about Hennig-Olsen financial management before, it was problematic to find relevant secondary data that can provide insight into the company. There have been written case studies regarding the international working environment at Hennig-Olsen and about branding via Facebook, but there is no secondary data that are particularly relevant for this case study. Existing secondary data about the organization were articles from various financial websites and the firm's web site containing general information on the development of Hennig-Olsen, certifications, products and management.

In in this study the primary data consisted of in-depth qualitative interviews with the management team and mid-management at Hennig-Olsen and the informants were operating in different units in the company. The informants provided insight into how conditions were prior to the implementation of Dynamic Management and how the new management system has changed the organization and management control system so far.

3.4.3 Conduction of the interviews

There are plenty of options on how to form and execute a research interview, for instance there exists different degrees of structure (Kvale, 1997). In terms of structure, you have on the one hand the strictly structured interview that contains all the questions that the interview will contain. On the other hand, you have the open interview with no structure and no prepared questions. In the between the two mentioned opposites regarding structure, the semi-structured interview exists. The semi-structured interview is partly structured, meaning that some questions or themes for the interview are prepared in advance (Ibid). For semi-structured interviews, it is common practice to make an interview guide. The interview guide is an overview of the theme the researchers wants to cover during the interview, and the ideas may also be arranged in the order they are supposed to unfold. The interview guide works as a reminder on what topic the researcher finds important (Jacobsen, 2000). When the interview is semi-structured, the interview guide also contain suggested questions for each topic and the researcher chooses how strictly the questions are being covered during the interview (Kvale, 1997).

For this case study, the semi-structured form was chosen, since the structure enables flexibility and contextual adaptation and since form om interview is well suited for qualitative data collection (Farquhar, 2012). Furthermore, when the case study is of explorative nature, it is common to use semi-structured research interviews since the researcher can probe the answers from the informants (Saunders, Lewis, & Thornhill, 2012). With an exploratory case study, it is necessary to understand the informant's attitudes and opinions and semi-structured interview can serve this purpose (Ibid). A semi-structured interview enables flexibility since one can adjust the proposed questions in the interview guide for instance by adding questions, asking follow-up questions and skip questions. With this interview form, one can also change the order of the questions depending on the flow of the conversation between the researcher and the informant (Ibid).

For this study, it was important that the collected answers from the different interviews could be compared to some degree. Therefore, it was beneficial to have semi-structured interviews, to make sure that the themes important for the study were covered. In advance, an interview guide (see Appendix) was constructed, the guide contained important topics and a list of suggested questions to each topic. The topics in the interview guide were listed in the order that they were supposed to be presented. However, the order of the topics functioned more a suggested order than the actual order as the themes unraveled in a more natural way during the interview sessions which is common practice (Jacobsen, 2000). Nevertheless, the interview guide was convenient to have; it worked as a tool for retaining focus during the interviews.

Before the interviews took place, each informant received a mail where general information about the interview was presented and information about what topic the interviews were supposed to cover. The interview guide was not presented to the informants at Hennig-Olsen, and the reason was to make sure that the answers were not rehearsed. The interviews were held at Hennig-Olsen's headquarter located in Kristiansand. In terms of where to interview the chosen informants, there are two main roads to choose from, either a natural setting or an artificial one (Ryen, 2002). Location of the interview is important for the outcome of the research, since the context influences the content of the interviews, as informants will behave differently in an artificial and a natural (Ibid). Hennig-Olsen's headquarter would be considered as a natural environment or situation since the location is well known to the interviewed candidates and also where the phenomenon of the research study exists.

A voice recorder was used to collect the data from the interviews, which made it possible to concentrate on the interview and not to transcribe during the session. The benefits of using recorders are that the researcher can collect every word during the interview sessions, on the condition that the sound quality is good.

The interviews were approximately one hour long, and the informants were informed about the suggested interview length in the e-mail. This length is optimal according to Ryen (2002), as thirty minutes are too short to reveal all relevant information and more lengthy interviews are tiring for both the informant and the researcher. During the interviews, the informants were asked to both tell about the current situation with Dynamic Management and how the situation was before the budget. The collected data, therefore, contains observations of both present and past time. In terms of anonymity, the informants wanted to see the results of the study before considering whether they want it to be publicly accessible or not.

3.4.4 Research quality

Research is about creating results that are credible, and it involves creating interpretations that are well argued and based on empirical data that are analyzed systematically (Tjora, 2010). If one achieve, credibility with the research one can receive acknowledgment of varying degree. However, before this can occur the investigator must convince the surroundings that the quality of the research is up to standard (ibid). In relation to quality criteria for quantitative research, it relates to reliability and various forms of validity (Johannessen et al., 2004), while there exist different opinions in terms of what can be considered as satisfactory qualitative research (Ryen, 2002). Regarding validity and reliability, qualitative research has been criticized for not fulfilling the quality criteria. The criticism has resulted in developing a new concept for validity and reliability, to enable and capture what quality in qualitative studies involves (Ibid). According to Ryen (2002) Guba and Lincoln's notions about the quality of qualitative approaches have had the greatest impact and notions are respectively credibility, transferability, dependability, and consistency. Guba and Lincoln claim that when a researcher uses a qualitative method, one must assess reliability and validity differently than when using quantitative methods (Johannessen et al., 2004).

In terms of reliability, this criterion relates on how to treat and process the gathered data, how data is collected and what kind of data you choose to use (Johannessen et al., 2004). The ideal situation is a researcher who adheres fully neutrality and objectivity about the phenomenon being studied and related to the informants. Full neutrality and objectivity are ideal since the researchers' opinions and involvement will be seen as interfering noise in the analysis and influence the final result (Tjora, 2010). Reliability is not suitable for qualitative research in the same way as for quantitative research, since a qualitative research does not use a structured collection of data and the observations a researcher performs depend on the context (Johannessen et al., 2004). Because observations are depending on the context and because the collection of data is not structured, another researcher in retrospect cannot reproduce the research, which is possible with a reliable quantitative research (Ibid). Moreover, because of the interpretive character of a qualitative approach it will not be possible to achieve complete neutrality (Tjora, 2010). However, this is not necessarily a weakness of the qualitative method when the researcher's interference analysis also can be seen as a resource (Ibid). As a researcher may cause noise, both in positive and negative sense, it will be important to explain how one affects the research work. Explaining how the researcher affects his or her study, can be done by clarifying what information that is generated from empirical data and what information that is the researchers' analysis. For instance, this can be done by presenting the informants' direct quotations when using depth interviews as information (Ibid). Johannessen et al. (2004) further states that to strengthen the reliability the researcher can explain and describe the context, for instance through a case study by describing the process in detail.

Moreover, the next quality criterion to be discussed is credibility, also called internal validity. For quantitative approaches validity is whether the survey measures what one wants to measure, whereas a qualitative approach is viewed as credible if the research observes the phenomenon the study intended to examine (Johannessen et al., 2004). Credibility for a qualitative approach is whether the results of the analysis reflect the reality and reflects the purpose of the investigation. Achieving credibility can be done in two ways. Firstly a researcher achieve credibility can become familiar with what is studied observing over time and, therefore, have a better ability to distinguish what is relevant data and what is not relevant. Secondly, research can use several methods to find data. It must also be noted that by making it possible for informants to gain insight regarding the results and thus can disagree or agree with what has been said, will strengthen credibility (Ibid). In this study, all the transcribed interviews were sent to the informants, urging the informatns to contribute if there was anything they wanted to add or adjust. *Furthermore, the results were sent to the informants, so that they had the opportunity to provide input. This action reassures the informants that the interpretation reflects what they actually meant and generally that the phenomenon has been described correctly.*

In terms of validity of the qualitative research, transferability is the second aspect, and it deals with external validity (Johannessen et al., 2004). In quantitative research external validity is how to generalize the findings from a sample of the population using statistics. The need for for generalization nn a qualitative research is different (Johannessen et al., 2004; Tjora, 2010). External validity in qualitative research is to the extent to which one can transmit results of the analysis and provide descriptions and interpretations that may be useful in other contexts than only one survey (Johannessen et al., 2004).

According to Tjora (2010) there exist three forms of generalization, respectively naturalistic, moderate and conceptual. Naturalistic generalization anticipates that the recipient considers whether the result can be generalized or not, while with moderate generalization the researcher explains in what contexts the findings may be valid. Lastly, with conceptual generalization the researcher have developed concepts or theories that will have relevance for other cases (ibid).

The last criterion for quality in qualitative research is consistency, which is when the results of the research are of an objective character and not the researcher's subjective attitudes. This principle also discusses the validity, and the criterion is obtained when the researcher is carefully explaining and exposing the decisions during the research, which gives the recipient an opportunity to review decisions. It is elementary that the researcher presents what possibly could have affected the result, according to preconceived ideas, differences and perceptions (Johannessen et al., 2004).

3.4.5 Qualitative data analysis

The analysis of the data consists of finding a classification of collected information that makes sense, where the material consists of in-depth interviews, observations or documents (Johannessen et al., 2004). One can approach the qualitative data both deductively and inductively, where a deductive approach is moving from theory to the empirical material, and an inductive approach is moving from empirical data to theory. In other words, a deductive approach relates to the movement from the general to the specific and an inductive approach is about drawing conclusions from the special and distinctive towards what can be viewed as conventional (Ibid).

After interviews at the company were completed, they were transcribed in a program called Otranscribe, a free program available online. Otranscribe is a helpful transcription program since it is constructed in a clever way where the uploaded sound file automatically jumps back a few seconds and paused by pressing the Escape key on the keyboard. This particular feature makes the transcription session less time-consuming when one do not need to search manually through the audio file to find where you left off while transcribing the data.

After the interviews had been transcribed, they were collected in a research program called NVivo and software was used to analyze the collected data. With this program, one can obtain both primary and secondary data, and the data to be collected can be anything from movie clips to transcribed interviews. NVivo, and other prepackaged software, will not complete the analysis on its own, instead software of this kind can help the researcher to locate and define important findings from the collected data (Yin, 2014). A common method for splitting the material is to encode data collected systematically (Johannessen et al., 2004), by dividing material into descriptive categories such as people, places, activities and similar (Ryen, 2002). NVivo is helpful when sorting the collected data and analyzing it, and can contribute to getting an overview of all the data. The process usually starts with constructing codes and categories from the data, and when one gets a greater overview of the data, the codes and categories become more complex (Yin, 2014). In NVivo, the codes are called nodes, and the categories are called classifications.

Based on the problem statement, the interview guide, and the conducted interviews, all data were broken down of thirty-nine nodes, which were further made into eight different classifications. Nodes were different keywords regarding Dynamic Management and the previous management control system and the classifications referred to larger identified areas of financial management of the enterprise. First, by analyzing each interview, the nodes were formed based on quotes from the different informants. The quotes from the interviews were linked to appropriate hashtags to illuminate what informants were talking about, such as "trust", "responsibility", “structure” and "KPIs". When the nodes were made, classifications were based on a collection of nodes that were found to be linked to one another. Using nodes and classification of important keywords and areas helped organizing the research and made it easier to compare the different answers and opinions amongst the informants. The classifications of the key areas regarding the new and the previous control system paved the way for the analysis of the research, as classification helped to get an overview of what was important content in the interviews.

Theoretical framework and assumptions have shaped and influenced the collection of data and analysis of the material, and the analysis of collected data is, therefore, a deductive approach. Yin (2014) recommends a deductive approach when conducting case studies because it preferable to use the theory as a basis for case studies. The theoretical basis helps to specify what should be studied and focused on in the case study (Johannessen et al., 2011). By studying the data outputs, meaningful patterns emerged, and the findings of this research contributed to confirming existing theory, and the findings contributed to modify existing theory.

Part IV: Case Study

"All managerial decisions and actions rest on assumptions about behavior"

(McGregor, 2006, p. 13)

4.0 Case Hennig-Olsen – Empiricism and Analysis

This chapter will present both the empiricism and the analysis of the study, and the chapter consists of five parts. The first part is an introduction regarding the object of the study and the second part is a description of the evolvement of the company's management control system. Next, the company's previous management control system will be elaborated, before presenting the company's current management control system, namely Dynamic Management. Furthermore, the study's four research questions will be answered. Lastly, the problem statement will be answered based on the theoretical implications and the information from the conducted interviews.

4.1 About Hennig-Olsen Ice cream

In the 1950s, Norwegians started buying a freezer for their homes. Because of the new trend, a man called Sven Hennig-Olsen established the first Hennig-Olsen ice-cream factory in 1960. Earlier, in the 1920s, Sven Hennig-Olsen had been in Chicago and studied how to make ice cream manually. He returned to Norway in 1924, in is luggage was a book filled with ice cream recipes and the equipment he needed for making the ice cream. Otto Johan Hennig-Olsen, Sven Hennig-Olsen son, took over the company before the establishment of their first ice-cream factory. On Otto Johan Hennig-Olsen's watch, the company grew and became one of the leading ice cream companies in the Nordic region.

Hennig-Olsen ice cream is still a family owned business and as of today Paal Hennig-Olsen, third generation Hennig-Olsen, manages the company. Hennig-Olsen ice cream is a multicultural company with employees from over 30 different countries. In 2015, the company has around 250 FTEs and nearly a fifty percent market share in the Norwegian ice cream business. The company had a turnover of 659.8 million Norwegian kroner in 2013 (Rålm, 2014, p. 12). The company's management team consists of nine members, including the CEO. The CEO, Paal Otto Hennig-Olsen, and his brother own the business together. The company's board consists of the two owners, external board members, and the CEOs son. Moreover, the company is divided eight different departments, respectively Purchasing, Production, Supply Chain, Marketing, Quality, Finance, HR, and Sales.

The company values quality and is certified with ISO 9001 ("ISO 9001," n.d) This certification entails that a company continuously meet customers' needs and constantly improve to increase satisfaction amongst customers. Moreover, the company is certified with ISO 14 001 and ISO 2200, which are respectively certification regarding the external environment and food safety. ISO 14 001 is about the company's responsibility for the external environment and 120 2000 is about the company's responsibility for food safety ("ISO 14 001," n.d; "ISO 22 000," n.d).

4.2 The development of the company's management control system

Hennig-Olsen had a long tradition of using budgets before implementing Beyond Budgeting in January 2014. The company chose to name their version of the Beyond Budgeting Approach for Dynamic Management, translated to "Dynamisk styring" in Norwegian since it that was a more suitable choice. The management team, and especially the CEO, had thought about changing their management control system for many years since they saw that the budgeting process was outdated and too static. In 2010, the company hired a new CFO, who had learned about Beyond Budgeting at her previous job when she attended courses on the subject, led by Bjarte Bogsnes. Beyond Budgeting was introduced for the company in 2012 by the CFO and was later suggested as the company's new management control system.

4.3 The budget process

The purpose of this paper is to study and investigate why Hennig-Olsen changed their management system and to find the answer the company's previous management system and the company's current management system must be studied. It is, therefore, important that the budget process was thoroughly reviewed to understand what the purpose of budgeting and to gain a deeper insight into what the budget has been criticized for and why. In advance of the conducted the interviews, the budget process and the criticism against it was researched. This was done to form a picture of what budgeting means for a company in general and why it may not work longer be an appropriate way of managing a business. However, it was important not to create prejudice against the budget process in advance of the interview process and be open to a positive outlook on the traditional management system. Consequently, it was necessary to ask questions about what possible positive aspects of budgeting. In the following, the previous annual budget process presented with quotations from the informants.

Demanding process

The company used budgets to plan both cost management and revenue, before the implementation of Dynamic Management. The budget process normally lasted around two and a half months; it started early in October and lasted until the middle of December. The budget was based on the previous year's budget and this year's accounts up to the date the company started working on the budget. Also, the company had to consider what kind of weather it had been, the news in terms of products the company had introduced to the market and the competitive situation.

All of the interviewed managers at Hennig-Olsen described the budgeting process time-consuming and demanding. The informants at Hennig-Olsen review the budgeting process in the following manners:

> *"We spent a lot of time on budgeting before and our organization used to consists of many departments, too many really. There were many in our company who handled their department's budget and it, therefore, took a lot of our manager's time. It is a demanding process. […] Overall, we spent a lot of time and the season was hardly finished before you were creating a new sales budget, which was starting point of the budget. In addition, there was production budget and all the cost budgets of the different departments. It took much time, and we ended up, after many rounds, with a negative result."* (CEO)

> *"It was some internal struggle. Those of us in the management team knew what requirements we had to profitability. It was a struggle, quite simply, about which one of us who was the strongest to arm wrestle. [...] The process was not positive at all, it was a tiring affair, especially for the finance department."* (Marketing Manager)

> *"When planning the coming year, a lot of people spent a lot of time to prepare and finalize the budget compared to the cost of the process."* (Sales Manager)

> *"[The budget process] was very resource-intensive. [...] We felt that we discussed insignificant things, for instance, small amounts in individual accounts that do not mean anything at all. Therefore, it required a lot of resources. [...] We spent time at the completely wrong things. The budget process added little value; we would have to spend a lot of time correcting things that obviously were miscalculations. The main idea was both releasing an almost wasted budget process, combined with looking ahead instead of backwards. To look backward has not a high value when there are changes."* (CFO)

> *"It was very time-consuming, and there were, especially in the fall, lengthy discussions back and forth about budget posts that should be adjusted up and down compared to how it had been in the previous budget. We had many fixed costs, which occurred by itself. It was almost superfluous to spend time on the budget towards the end. It was perhaps the time spent which we felt was too much."* (Supply Chain Manager)

> *"The budget was often last year, plus / minus a bit, and eventually we experienced some struggle with getting the budgets proposals through. In that sense, that stress was nice to get rid of." (*Middle Manager)

Apart from being a time-consuming method, the managers also described the budgeting process as challenging regarding establishing agreements amongst the managers in the organization. The company used a bottom-up approach in relation to their budget process, where managers in all the departments of the organizations made budget proposals based on a proposal that the accounting department had sent out. Then the management team reviewed the proposals, adjusted them, and the corrected proposals were sent out to all the departments the organization again. Lastly, the approved budget proposal was summarized, and a final version of the budget was adopted. Having a bottom-up approach, made it possible for the subordinates to participate in the budget process and form budget proposals. However, the proposals were not always that great, and the interviewed managers have the following remark about the bottom-up process:

"We felt that we got budget proposals from the head of the departments that were not good, either the proposals were too cautious or too ambitious, depending on what kind of manager you were dealing with. Moreover, always when we were summing up the budget proposals for the first time, we often ended up with a completely unrealistic low result. [..] The process was meaningless and essentially it had no value." (CFO)

"Often, when everyone was finished with their budget proposal, the budget items were on an excessively high level. Everyone wanted to have a high budget limit to get more than what was needed, then they would get the reassurance that they would be within their budget the following year. When we finally summed up the budget proposals, it turned out that there was almost any result left. It was a consequence of that everyone had been quite spacious regarding the budget proposals. Then there was yet another big process, which was to go to every budget post to see where you could cut, and which account you could reduce. We had to discuss with each budget responsible to see where we could cut the costs in the budget. It was a very big process measured up against the workload" (Sales Manager)

Gaming behavior

Almost all of the interviewed managers at Hennig-Olsen expressed that they experienced unwanted behavior amongst the managers responsible for the budget within the company. The budget process resulted in gaming behavior for some of the managers, in terms of setting the budget bar either too high or too low. The company held a strict budgeting policy, which made the managers setting the bar higher than necessary because then the managers knew that by doing so they would not exceed their budgets. Informant has the following remarks about the attitudes that existed related to the budget process:

"Different people have different views on how to budget. Some might suggest high budgets and think that you should spend every penny of the budget." (Supply Chain Manager)

> *"If they [the head of departments] got approval for high budget limits, cost budgets, then they had spacious framework throughout the next year, compared to how much money they would use. As long as they were under their budget limit, they could spend as much money they wanted. Also the income budgets were too cautious, which results in low targets too. The sales department was very concerned about reaching their revenue budgets."* (CFO)

> *"It was a bit of a "use-up the budget "mentality and one had to defend the use of the resources. It quickly became a somewhat silly discussion. It is not supposed to be about the excessive use of the company's resources; the suggested proposals should be reasonable. Then there was also some competition among the employees, to get the highest possible budget. The budget process became sub-optimizing"* (CEO)

> *"It is quite sensible people who work here, and the employees have a driving force in terms of wanting the best for the company. I would not say that there is a culture of wasting resources. However, you spent what you could spend if it was within the budget limit and thought that it was necessary. It was not like it is at other companies, where one sends the entire budget to get the same amount the next year. It is not the culture for it here. […] We have never had anyone in this business that have let their hair down and spent more money than what is reasonable. Not because one is conservative, but because one is considering. »* (Marketing Manager)

If a department set a higher budget than what was needed, it could have consequences for next year's budget, depending on the costs and investments that were involved. If the limits were set too high, the company had to go into each account and evaluate the need for resources. It could, for instance, be a need for major investments in the production department, and then the ones who handled the budget had to discuss how to prioritize the investments in the company. The management had to consider what was most needed for the investments and what could wait, and these evaluations were made in a priority list. In this list the investments were categorized according to how important the investments were category 1 investment was the most important ones and therefore prioritized, first. Category 2 investment were less important ones and the list continued accordingly. One of the biggest problems with the budget that the company experienced, besides from being a time-consuming and not a very valuable process, was the fact that the allocation of resources had to be set during the budget period each fall. The budget often lost its relevance shortly after the preparation and was therefore not very useful, informant tells us what the static resource allocation led to in the company:

> *"You would perhaps have a need to go beyond the limits of the budget, and, also, there was the issue of how you could do it. If you had to go beyond the limits, you had to reduce the amount of resources spent on other items in the budget. Therefore, we feel that it is much more dynamic and proactive, with Dynamic Management, particularly related to the cost side."* (Sales Manager)

> *"To the extent the budget was followed is another question. On the cost side things happened along the way, whether it was fine or bad weather or there came new customers, and then everything had to be revised again. One would then consider whether to invest in new ice-disks or new soft ice cream machines. Things change, and the budget, therefore, became irrelevant quickly. You lose customers, you can get new customers, and often you got a new chain, and it never happened while the budget was prepared. It is very static to work with budgets."* (CEO)

Motivation and the ability to hit the breaks

Another aspect of the budget process that was discussed during the interview process was whether the budget motivated the employees at the company. As mentioned in the theoretical part, one of the objectives of the budget is that the process will motivate employees within a company. Employees will be motivated through feeling a sense of responsibility regarding the financial measures the company approves during the budget settlement. None of the interviewees stated that budget motivated employees at Hennig-Olsen to any extent and informants have the following comments about the budget's ability to motivate:

> *"[The budget] could contribute to demotivate employees, due to following thoughts "Now I have 100,000 in the budget, I should really have had 300 000", "Now I might miss a good solution, and must wait a year before being able to carry out that solution because there is no money left in the account".'"* (Sales Manager)

> *"There were too low ambitions concerning sales, and we lost an opportunity to aim higher. Regarding cost frames, it was about making spacious frames."* (CFO)

"If it were motivating, I would say no. I get motivated when I create good solutions." (Middle Manager)

Furthermore, the informants considered whether the budget process is a good tool for a company when coping with negative trends. In other words, dealing with negative trends is about the budget process ability to hit the brakes when things go sideways. For instance, when the demand is decreasing or when, for instance, the number of new customers is lower than planned. Informants have differing opinions on how optimally the budget work compared to negative trends:

"Often we did not know not very much before the fall, and first then we often saw that things were bad. We had a notion of how much money we spent in the spring and had organized for new products and new materials. [...] Much of the cost were already made, regardless if we had a good or bad summer. It was very difficult to hit the brakes, with the budget process." (Supply Chain Manager)

"The danger with a budget is that you put up a top line, and then add lots of costs under the top line. If you do not reach the top line, and you see that there are many factors that affect it that makes you unable to get there, the cost structure is fixed when budgeting. Then, to reach the top line, you have to go cut the budgets with so and so much, and of course you meet resistance." (Sales Manager)

Outdated

Another important aspect of the traditional management system is the follow-up of the last year's budget related to the performance of the company. During the follow-up, one considers and evaluates why any deviation has occurred. In terms of the follow-up at Hennig-Olsen, the discrepancies between the budget and the results were presented for the various departments. If there were discrepancies between the budget and the result, several of the informants from the management team experienced that the departments rationalized the deviations and informants explain further:

«When following up the budget, typically many of the explanations were "No, we budgeted wrong on this in October, so this is why there is a discrepancy." That process added no value." (CFO)

"It was, for example, said, "you used did not use much money last year, can you try to cut down on expenses instead?". Everyone had good causes for their budget, and they wanted to be on the safe side. In many ways, the ones responsible for the budget were measured related to their budgets. If there were deviations, the management team wondered why there were discrepancies, and if there were no discrepancies it was in many ways fine. So that is one of the weaknesses with budgeting." (Sales Manager)

Furthermore, all of the interview participants agreed that the budget process was ready for replacement and believed that the process was outdated and that it, therefore, was a need for a new management system. Several informants stated that in today's constantly changing world, it is no longer appropriate to operate with a static budget:

"It is a time for everything. We saw that maybe the budget process was expired, and the way we handled the budget." (Supply Chain Manager)

« If you are committed to following the budget and have the discipline for it, then it's reasonable to have it. Then you have some form of control. However, in my opinion the world is not like that anymore. The budget process is somewhat satisfying, but it is not as useful as it sounds!" (CEO)

Until now, the various negative aspects of the budget process have been focused on and highlighted. Nevertheless, during the interviews, some informants addressed positive aspects of the budget process:

"Many of those who work for me are very cost-conscious. They may be felt they had a little more control and ownership, I think when they had something to manage after. I think that the one responsible for the budget liked having the budget limits. They had something concrete that they could relate to, and may not need to ask if there occurred things that were outside the normal operation. Then they controlled it within their budget." (Supply Chain Manager)

"One thing that was great with the budget was that you got had the ability to caught debris in how we did things once a year." (CFO)

"The positive side [of budgeting] was that you had a frame. When you have a frame, it is easier for you to dispose of and plan based on the frame. You are more likely to give a time span for the activities in the plan because you know the limits. Now [with Dynamic Management] you do not know what you need and you start with a much shorter horizon regarding your plans. One cannot plan before you have got activities approved and allocated the requested resources. It is a bureaucratic process; there is no doubt about it. That is at least one of the drawbacks. Both processes have their advantages and disadvantages." (Marketing Manager)

What the informants could highlight as positive regarding the budget process was that it helped evaluating how things were done in the company once a year. Another aspect that was highlighted as positive was that the framework made it easier to plan activities for the coming year. The ones responsible for the budget also felt that the budget was appropriate as a control function.

Summary

In this section, the former budget the process at Hennig-Olsen has been reviewed. Studying the former process have been considered important for this report, as it is elementary to gain insight into how it was before to understand why the company decided to change its management system. If one does not understand how the company was managed before and what the conditions were with the previous management, one will probably not get a thorough understanding of why the company chose to implement Dynamic Management.

In relation to what informants told about the former traditional financial management, the process was not optimal. Some of the criticism pointed out by the informants regarding the budget process is in accordance with the criticisms against budgeting presented in the theoretical part of this thesis. For instance, all the interviewees told that the budget process was a resource-intensive process, which is in line with among others Hope and Fraser (2003a) criticism against the traditional management tool. The informants experienced the budget process as resource-intensive compared to time spent in preparing and finalizing the budget. With the Bottom-up process, the financial department had to return the submitted proposals from the departments several times since the various departments were either too optimistic or too pessimistic. For instance, the sales department would have a tendency to be pessimistic about their sales budget, to ensure that the department reached the proposed target. In terms of cost budgets, there was a separation between the units would not spend more money than they had budgeted when Hennig-Olsen had a strict budget discipline and the units that wanted roomier framework for next year and, therefore, had high-cost budget.

Furthermore, several of the informants expressed that the budget did not motivate the employees at Hennig-Olsen. Some of the informants claimed that the budget process almost could be demotivating.The process could be demotivating if one did not obtain funds for a project one viewed as important and, therefore, had to wait until next year's budget settlement for a possible breakthrough. The framework of the enterprise was static, and consequently one had to clear space for projects that were not planned for the budget settlement. To clear space one had to see if there were any accounts one could take from or if there were another project one could boycott. If the company were not able to make budget cuts, it could lead to profitable projects not being pursued and carried out. This remark is in line with Bogsnes (2009) criticism of the budget process.

In summary, despite the aforementioned positive aspects of the budget process, one can conclude that the informants were not satisfied with the traditional management system method and that there was a need for a change.

4.4 Implementation of Dynamic Management

The purpose of this study is to answer the problem statement: *why did Hennig-Olsen change their management control system?* To answer the problem statement, this paper will concentrate on both past and current management system to gain insight into why the company decided to make a change. Until now, the empiricism has concentrated on previous relationships, about what the informants thought of their former management system, both positive and negative aspects. In the following, the new management system, Dynamic Management, will be presented and elaborated. The former management is will still be illuminated through investigating the changes that Dynamic Management has brought up, to gain further insight into why the company chose to abolish the budget process.

Elements of Dynamic Management

Dynamic Management was, as previously mentioned, introduced in 2014, having been presented by the company's CFO two years earlier. Briefly, Dynamic Management is a holistic model that focuses on changing the behavior and attitudes of a company's managers and employees, and it is a new way to conduct the company's management processes. Further, an important and central part of Dynamic Management is that the decision-making authority in the enterprise should reach further out in the organization. By letting the decision-making authority reach further out, the employees can feel greater responsibility and freedom about the decisions they face. For employees to make the right decisions on the behalf of the company, there is a need for supplying visible and incorporated strategy plans and objectives. In that way, the employees can act accordingly, and the room for maneuver should be defined.

Another important aspect of Dynamic Management is that resource allocation should be a dynamic and flexible process, where one allocates funds to projects that are profitable and appropriate, as opportunities present themselves. Moreover, Dynamic Management also focuses on preparing forecasts continuously, and the forecasts should be based on what the company thinks will happen. Forecasts must be realistic, and should by no means be viewed as targets for the coming period, instead forecasts should try to reflect the actual outcome for the coming period. The purpose of Dynamic Management is to make it possible for a business to adapt to the changing environments and manage the resources in more flexible and dynamic way. With Dynamic Management, it will presumably be easier to adapt to the changes of the environment.

Hennig-Olsen's management team had thought about changing the management system and changing the processes within the business for quite a while. For instance, the management team had thought about including the tool LEAN for many years. Nevertheless, despite the thoughts of changing the management control system and the business tools for a long time, a new management system was not introduced before 2014. What caused this drastic change will be further discussed later in the report, after the new management system has been presented. In the following a presentation and evaluation of the new management system will be divided into seven different categories and the categories are respectively:

- Decision-making authority and framework (4.4.1)
- Focus and trust (4.4.2)
- Strategy and target setting (4.4.3)
- Resource allocation (4.4.4)
- Planning (4.4.5)
- Reporting and monitoring (4.4.6)
- Experience of Dynamic Management (4.4.7)

The different categories will be presented in the following, where it will be explored how far Hennig-Olsen has come in its work with the implementation of Dynamic Management. The new management system has only been part of the enterprise in the excess of a year.

4.4.1 Decision-making authority and framework

When the company controlled their employees according to traditional management principles, the employee's maneuverability was limited to the frameworks of the annual budget settlement and the management was characterized as centralized. A company is characterized as centralized when those who hold the positions at the top of the organization's hierarchy make the decisions. Budget limits are now removed from all of the company's departments besides from the marketing department, which will be discussed further later in this section. The decision-making structure has changed from being highly centralized to move towards a more decentralized form, and in the following the organization's structure, framework and decision-making authority will be discussed.

Where the shoe pinches the most

Before Hennig-Olsen implemented Dynamic Management, the interviewed managers describe the organization structure as centralized, where the management team made most of the important decision for the company. When Dynamic Management became the company's new management control system, the structure is starting to become less centralized:

> *"We are probably a place in between being a centralized organization or decentralized one. Partly, it is because we have many regions around in Norway, and they have their authorizations and operations. Due to this, the company becomes very centralized. However, there are also a lot of things that are decentralized, about the operating model and the cost structure […]. The individual sales regions are not separate legal entities. However, the regional commanders handle both top line and cost structure."* (Sales Manager)

The company structure has changed in other respects as well. In 2012, the company closed their distribution department, which led to a drastic decrease in the number of employees compared to the size of the company. Because of the closure of the distribution department, the company went from having 350 FTEs to having 250 FTEs. This has been the biggest structural change in the company the past three years, and informants have the following statements about the structure change:

> *"We had large departments with over 100 people. […] they [the departments] had their warehouses and refrigerated trucks, they ran their small businesses within our business. The closing of our distribution department has been the biggest change really."* (CEO)

> *"[…] when the distribution department was closed we got less leeway, and then it became more important for us to be as efficient as possible. Our customers demand higher prices since they now more have the role that we previously had, and they will, of course, demand to be paid for it. It is smaller margins now and that forces the company to be more efficient and streamlined"* (Marketing Manager)

Hennig-Olsen has changed the structure of the organization and become more decentralized as a consequence of the implementation of Dynamic Management. Although the structure has become more decentralized, some of the informants express that the structure still needs to be adjusted further to become optimal:

> *"We want to have an organization that is as flat as possible. We are trying to let the employees have a relatively big decision-authority. This is because we believe that only the one that wears the shoe knows where it pinches the most, and therefore it is best that this person have the decision-making authority."* (Sales Manager)

> *"I still think the organization is more centralized than it should be. […] We need to evolve further in that area. […]We need to work on that decisions can be taken further out in the organization. We have a need to be clear about which decisions should be taken where and the decisions we make should be more formalized. Partly it is because of what we are undergoing with the new management system. Moreover, we have had a tendency to have opinions regarding certain things rather than basing decisions on facts. We need to work on that."* (CFO)

> *"We are not where we should be yet, with respect to structure. It certainly takes a year until we are where we wish to be. However, it has improved; we are working on it every day to place decisions where they belong. [...] Now it is important to get an organization that focuses on accountability to a greater extent than the organization does today»* (CEO)

> *"It will be a more interesting job if the decision-making authority is extended further out in the organization. It then gets faster to solve a case, since there is no need to wait until a manager finds a solution or until a meeting regarding the case is held. It will easily become a bottleneck if the decision-making authority is not extended further out."* (Middle Manager)

Based on the quotes above, several of the informants acknowledge that the company needs to evolve further regarding the decision-making authority and regarding the structure. On the other hand, some of the interviewed managers' expresses that the company does not need to change into a more decentralized organization and that decision-making authority reaches far enough out in the organization:

> *"Not as of today, do I see something that needs to change regarding the company's structure"* (Supply Chain Manager)

> *"The allocation of the company's resources is hierarchical in the organization. I have never experienced this as a problem further down in the organization. [...] Organizational structure with respect to the capability of influence is flat enough. We are, despite the fact that it is formally many levels of titles, a very flat organization, at least about the decision-making processes. It is a family business […], and Paal [CEO] is a person who has an open door policy."* (Marketing Manager)

In other words, there exist differing opinions whether the decision-making authority should reach further out in the organization and how decentralized the organization should be. The majority of the interviewees point out that the organization is not decentralized enough as of today and that the responsibility for various decisions should be placed where they belong. According to informants who are in favor of a more decentralized structure, it is necessary that decisions within the company must be taken where it is appropriate. The decisions must be made where the shoe pinches. Enabling this will foster greater accountability, a more flexible management and, on top of it all, a more interesting workday. Employees can experience their position as more interesting and feel an increased responsibility towards the company if they see that they can influence decisions and be involved in making decisions. Making decisions within an organization more local, is in line with Hope and Fraser (2003a) principles regarding decentralization. A decentralized organization will be able to exploit the potential of the company's employees and make the company more prepared to react fast if the environment changes (Ibid).

A different perspective

Before Dynamic Management replaced the budget process, the company's different departments received a given frame, which was finalized during the budget process. The frame the departments received functioned as a ceiling on how high expenses you could have overall and the resources should be distributed throughout the coming year. Many departments at the company tried to get highest cost budgets possible, as it was desired to obtain a spacious framework. As mentioned earlier, it was often a struggle between the departments regarding the company's resources. This way of controlling costs that the budget process provided made the employees focus mostly on their department and not thinking about the business in its entirety. When the absolute budget framework was set, one could in principle spend as much money as one wanted to, given that, it was within the framework. Informants have the following remarks about how the absolute budget constraints influenced the company's employees:

> "*Before we dealt with our budgets, and we had very little insight into what the other departments was doing. We made own priorities within the budget we had for our department, without seeing the big picture."* (Supply Chain Manager)

> *"Before, people were used to having their budget package and it is clear that many were used to control for this package and reconciled each month how the situation was. Those who had spent more than they should use, they had to tighten up on the use of resources. I feel that we used higher costs of having budgets than with Dynamic Management."* (Sales Manager)

In 2014, the budget frameworks were abolished in the company; however, the marketing department still has a frame. The marketing department has a frame because the company finds it difficult to make a profitability analysis for the department. For instance, it is difficult to see how profitable an upcoming advertising campaign is and concretely see how much value the campaign will create. Currently, the company has not found a better way to solve this issue and, therefore, the budget framework is still a part of the marketing department. The transition from absolute budgetary constraints to a more continuous valuation of the company's current activities, projects and investments have not been received well by all the employees:

> *"I have noticed that now that we have started with Dynamic Management, that some have a little trouble adapting to the new management system. They thought it was very nice to have a framework, and they had the following attitude regarding the budget frame: "I can use that money on whatever I want". We still have someone who may wish that it was still like that."* (CFO)

Several informants expressed that it was appropriate for the company to leave the absolute budget limits behind, as it could lead to a consumer mentality rather than profitability mentality among the company's employees. If an activity or a project of a more substantial nature than the company's daily operations is to be carried out with the new management control system, the activity or project will be evaluated. The activity or project will be evaluated via the company's authorization matrix, and a profitability assessment will be conducted. An informant expresses further, what the company's authorization matrix is:

> *The authorization matrix suggests what kind of authority the middle managers have, and how to respond accordingly. If one wants to expand their proxies one have to check the opportunities further up in the organization. Then it is our role as managers to have the total overview." (Sales Manager)*

Before, with the budget process, the valuation and profitability analysis were not performed in the same way as the company applies today. The authorization structure, which the company has now, leads to another way of managing the costs within the firm. If a middle manager wants to undertake a project or make a decision that is beyond his or hers authority, the management team have to evaluate it. The management team will consider whether it is profitable to carry out the project or appropriate to make that decision. Informants had the following comments about what the removal of the absolute budgetary constraints has led to in the company:

> *"Before it was more of an "it is what it is" attitude about how the budget turned out. Then we had a sum, a limit on development. For instance, the production department thought of their budget in relation to investments in new machinery and had budgetary constraints. Now everything is put together in a great calculation."* (CEO)
>
> *"It's simply about going away from having a close eye on an account related to the framework in that specific investment account. Now it is a different way of thinking. One think, "Is it necessary to spend the money?" "Should we spend the money with the opportunities that exist, or should we not use them?". One gets a slightly different perspective, in terms of how you think of expenses, costs and investments. [...] I think you have to look for creative solutions to reach our goal of many other items than we have done previously. When we had the budget limits, it was more "now we are within the framework", "now we have to say no because now we have expended the funds we have available". In many ways, this can hamper good solutions. I think that the Dynamic Management is positive in this respect."* (Sales Manager)

> *"You get the freedom, but at the same time you need to substantiate even more than before that you need the money. [...] You had no way of controlling the company's activities in a satisfactory manner in the budget process, due to limited time. Now you get all the initiatives and activities spread out through the year, and the initiatives and activities shall be treated in accordance with the authorization matrix. I think that many people, to a greater extent than before, must substantiate that they need these costs."* (CFO)

The majority of interviewees expresses a positive transition from absolute budgetary constraints to more advanced profitability analysis. However, some of the interviewees expressed that the removal of the frames has not come completely been embraced in the organization yet. One of the informants stated that the removal of the budget might lead to reluctance from applying for funds for major activities and projects:

> *"It [Dynamic Management] has had a positive effect on our cost structure; however I also have to enlighten the other side of the coin. For many, or some, it is easier to refrain from asking for resources, which can create a dampening effect on what perhaps should have been done. Budgets often make employees fight to have the greatest share of the company's resources, to have the greatest possible frames. Dynamic Management can lead to people not getting the resources they should have because they do not bother to nag for it. Let's say that I been the type that could not bear to beg for anything and handled the marketing communications. If I suddenly went from using 30 million for marketing communications with the budget process to spending 15 million when the new management system was implemented, because I did not bother to fuss, have I then saved 15 million? Is it right? This discussion is certainly important to have." (Marketing Manager)*

Based on the quotes above, there exist differing opinions on whether it is appropriate to remove the absolute budgetary constraints. Nevertheless, the majority of the informants expressed that the change has been satisfactory and in line with the purpose of the new management system. The transition to value-based assessments of new decisions and activities has made the employees view the enterprise in a more holistic way and not only focus on their department. Also, the mindset of the organization changed from "do we have money for this?" to "is this investment necessary and profitable?", where one before could have a tendency to consider projects and decisions on whether they were within budget or not. These mentioned changes are consistent with what Hansen et al. (2003) and Bogsnes (2009) states about what the removal of the budget will lead to. Namely, that the company will focus mainly on value creation, rather than just focusing on costs.

4.4.2 Focus and trust

The introduction of Dynamic Management has changed the way the business is managed. With the budget process, the employees had a framework, and the traditional management system led to employees focusing on the budget frameset for their associated unit and the company as a whole was usually not taken into consideration. . With Dynamic Management one should make decisions based on what is value-creating for the whole organization and the management should trust that their employees make the right decisions. In the following, the potential changes regarding focus and trust related to the new management system will be presented.

Holistic focus

The new management system focuses on shifting the focus from a myopic perspective to a focus on what is best for the entire organization. Dynamic Management is about making the employees at the company think about what is best for the entire organization and not just their department. In the company, the focus has changed because of the introduction of Dynamic Management and informants tell the following about what has changed:

> *"You need to operate the company with a slightly different focus. Previously you worked with budgets and followed up the budgets […]. Now we are forecasting. When we forecast we see the whole picture in a slightly different way. With Dynamic Management, one has a slightly different focus, in terms of how to operate the company. Beyond that, I do not think there have been many changes compared to how we are used to operating."* (Sales Manager)

"I think that [Dynamic Management] contributes to making employees considerate the whole company. Now we sit together in the management meetings and assess the upcoming investments and the activities we should have, so in this way, we make more assessments than previously. I think that it contributes to less silo mentality than what we had before." (CFO)

One informant points out that as of today the company has not come completely disregard the silo mentality that budget contributed with. There is still a tendency of silo mentality among the employees, where the employees think more about their department than business as a whole:

"[...] we must be careful not to have a subculture because a silo mindset is very dangerous. Our management team consist of seven, eight, nine people, and we all have different responsibilities, and it is obvious that we pay most attention to our responsibilities more or less. What we see is that people feel a stronger ownership to what they handle, and may not see the consequences of the whole spiral, how it affects the rest of the organization, etc. On this area, we still have room for improvement. However, I feel that we have made a lot of progress." (Sales Manager)

Dynamic Management related to the governance of the company, have led to a shift in the focus among the employees, where there is no longer a budget framework that must be abided. With the new management system, the company attempts to focus more on the overall picture, and it is no longer sufficient to be within budgetary constraints related to the management of the company's resources. However, the company must continue to work on this issue, as the company's employees still focus mostly on their department. These issues will be discussed more thoroughly later in this chapter.

Increased autonomy

As mentioned earlier in this chapter, it is noted by several informants that many of the company's employees miss having something concrete to steer after, which the budget constraints provided. Informants highlighted that especially those who handled the budget are affected by the transition from a concrete budget to a more flexible and dynamic way of managing the business. Not being able to steer by given budgetary constraints any longer also causes changes in relation to liability within the firm. Dynamic Management focuses on assigning responsibility to a company's employees and empowers employees to make decisions; consequently, motivation can increase by letting the employees making their decision on behalf of the company. Informants have the following comments regarding what the new focus on responsibility have caused:

> *"Now we have a structure in relation to Dynamic Management, and now it's important to get an organization that is accountable to a greater extent than we have as of today. It is important. [...]I think that a greater degree of independence among employees will lead employees into taking more responsibility."* (CEO)

> *"Dynamic management provides more freedom, but also more responsibility. We have tried to focus on that before. Nevertheless Dynamic Management makes it easier. [...] To the extent that it makes sense, I think the involvement and independence help to create positivity, increased productivity and enthusiasm."* (Sales Manager)

Another important factor with the new management system is the trust between the superordinate and subordinates. The trust factor is whether the management is sure that employees are not abusing the fact that they are no longer controlled by a detailed budget and that the employees make responsible choices that benefit the whole company. Informants have the following remarks about how the trust is within the organization:

> *"I believe that the trust is good. However, you always have the information discussion. We are probably not good enough regarding information sharing. Regarding trust, I had to be sure that the organization was capable of handling the freedom that Dynamic Management provides before I could propose to implement the system. In my opinion, if we did not have people that could handle that freedom, we would have a much bigger problem than the fact that the employees needed a budget as a control function. We would then have a problem with the personnel. I have not experienced that the employees have not been able to handle the freedom."* (CFO)

> *"The trust is good, I would say, but I miss more information from management"* (Middle Manager)

> *"I must say that the trust is good, however, we are paying attention to what goes on in the company. It is obvious that we monitor each account. Nevertheless, a person cannot approve every invoice, and what happens in the company. Those who have given the green light to an activity or investment that is at a certain level regarding costs must sign the activity or the investment, and then the superiors as well must sign it. It is also helping to ensure that employees are responsible in terms of spending."* (Sales Manager)

Several informants note that information sharing between management and other employees are not satisfactory as of now and that trust can be enhanced by improving information sharing. The information aspect will be discussed further later in the paper. Moreover, an informant tells that a high level of trust and loyalty not necessarily only have a positive effect on an organization:

> *"We have a pretty tight work environment; many of the employees are committed to the company and enjoy working at Hennig-Olsen. The employees identify strongly with the company and want to do a good job every day for Hennig-Olsen. There are many who are close to the company in that respect. Therefore, what I feel is important in terms of loyalty, that you ensure that you have people you can trust. Also, there are very many who have been here a very long time, for better or worse. In that way, you get very loyal people. However, it may not create a company that has the most innovative thinking. That's the challenge."* (CFO)

In other words, it is not always positive for an organization to have a high degree of loyalty, according to the quote above. A high degree of loyalty might be limiting in terms of development and innovate thinking. Moreover, many of the interviewees points out that employees are loyal and that many of the employees have been part of the company for many years.

Further, an informant notes that trust between a company's management and its employees that determines is not the only ingredient that determines whether implementation of a new management system is successful or not:

"The employees have a sense of responsibility for the business and are not using more money than necessary because they are in the same boat. We experienced that with the budget as well. There is good trust between the overarching and subordinate [...] Of course one can improve here and there, but mostly it's very good. Trust is in my opinion not decisive for Dynamic Management; however, it is important, in general, to have a climate of cooperation in the organization, in other contexts than Dynamic Management as well." (Marketing Manager)

Moreover, it is highlighted by an informant that the employees of the company and people in general like responsibility and that it in turn can create motivation in their daily work:

"I believe that all people like to take control and be responsible. It is obvious that it is motivating to handle decisions and that if you have the responsibility and see that your actions have an impact on the enterprise it is more fun to come to work. It is also important to get feedback that they do a good job, and get support and be able to develop." (CEO)

The implementation of Dynamic Management has led to a shift in focus in the company, Hennig-Olsen has moved towards a more holistic focus instead of only focusing on the department where one belongs. It noted, however, that the focus is still is too division-oriented, as the budget mindset still lingers in the company. Furthermore, the interviewees agree that the trust between the management and the other employees is satisfying, except that the company as of today have not found a good balancing act with respect to information sharing. According to Bogsnes (2009), trust is the most important ingredient for a company's leadership philosophy. Moreover, the author states that although he believes most managers trust their employees; do not necessarily mean that managers practice what they preach. The trust focus related to Dynamic Management builds on McGregor (2006) principles of Theory Y people, where one recognizes that people enjoy responsibility and are motivated by the responsibility.

4.4.3 Strategy and target setting

When the company abandoned their budgets and embraced Dynamic Management, the strategy plan was one of the areas that became more dynamic. The strategy used to be a

3-year long static plan, which the managers at Hennig-Olsen did not pay much attention to according to the informants. With the new management control system, the strategy has been linked to the company's actions. Now the company develops a plan for the next three years and uses key performance indicators as measures on where they regard to the strategy plan. Furthermore, the company has increased the focus on key performance indicators, and they have started working on a new project, to improve today's key performance indicators. These points will be further discussed in the following.

A dynamic strategy plan

Before the budget process was abolished, the company's strategy plan was never updated after it had been created. In other words, the management team made a strategy plan for the following three years and did not change the plan afterward. Moreover, the management team did not pay any attention to it either before it was time to make a new plan. The budgets were in theory supposed to be linked to the strategy plan; this was however not done. When Dynamic Management was introduced, the strategy planning process changed:

> *"[The strategy] are guiding principles of the company. Our new strategy indicates what we want, where we are going; it helps to set guidelines."* (Sales Manager)
>
> *"The strategic plan the company currently have, is in the second year of a three-year plan. What we have linked together in the plan are targets that will create a revenue growth for the company"* (Supply Chain Manager)

In terms of the horizon of the strategy plan, it still is three years ahead, what has changed is the fact that it is not a static any longer. Moreover, the plan is paid attention to by the company's managers. The budget did not consider the company's strategy plan, and the strategic objectives were not followed up. Now the management team focuses on the strategy plan and unlike before, the company's strategic objectives are now taken into consideration. The management team evaluates the plan continuously, so make sure that they are on the right track regarding the objectives:

> *"The strategic goals are more in focus through the ongoing follow-up of the company's forecasts and KPIs»* (CFO)

Furthermore, the strategy plan is often discussed in the management team, and adjustments are made along the way if there is discovered that something must be changed about being able to realize the plan. The new strategy plan now revolves annually and the plan, therefore, more dynamic and flexible:

> *"The strategy plan is no longer static; it has become dynamic as well. Our main objective is to become the leading manufacturer and enterprise, within our category, which is ice cream. It is our goal, and we are very clear about that. We envision where we will be in 2015, 2016 and 2017, for instance, percentage of the market share […]. We look at how much we have to sell to reach a 50 percent market share, as an example. I think that the new strategy plan will be helpful in terms of realizing our objectives"* (Sales Manager)

Hennig-Olsen has increased their market share the last 25 years, whereas their main competitor's market share has decreased. The two competitors now have almost a 50-50 market share in Norway and due to this; the company's strategy must change from an attack position to more of a defense position. The company knew that the former static strategic plan no was not up to standard in terms of how it was designed, and there was a need for a new strategy plan and an informant explains further:

> *"We have made a strategic decision that we can no longer be in an attack position. Traditionally the company Diplom ice cream has been our biggest competitor, and they have been the leader of the market. The last 25 years they have lost one to two percent market share each year, and now we are almost equal. Then it is obvious that we must work in a different way [...]. In multiple channels, we are also bigger than Diplom ice cream, and we, therefore, have a different position now. […] we are very aware of being dynamic regarding our strategy." (Marketing Manager)*

The company's new strategic plan was prepared and finalized in 2013, and the plan applies until 2016. The plan's starting point was the company's strategic objectives. It is worth noting that the new strategic plan was prepared and adopted before the implementation of Dynamic Management. Preparing the strategy plan before implementing Dynamic Management, was a conscious choice of the management team. The management team believed that it was important to change the strategy plan and arrange for it before a new management was put in place:

"There have been many changes occurring in 2014 and 2015, and the changes will surely continue until at least 2016. Recently there have been major changes in the way we manage the company. Then it's also the issue of the order of what changes that should come first and what changes that should come last. I think that it has been appropriate to start with the implementation of Dynamic Management. However, we did have the strategy plan in place prior to implementation." (CFO)

Now the company's strategy plan consists of one main objective and fourteen subsidiary goals distributed over six different areas. The strategic goals are again broken down into main KPIs. The company follows up the main KPIs continuously, and the new strategy plan is hence more flexible and dynamic than it has been previously. The main KPIs are again broken down into annual targets, and now continuously assess how far they are along the road in terms of achieving the goal they have set for 2016. Despite the fact that the strategic plan has become more dynamic and followed up by management, it can still be improved, and an informant tells the following:

"It can certainly be improved, what I think is a challenge is to make it so simple that you can keep the plan alive. When one tries to describe very many things, and things are complex, and if everything is included, it becomes very difficult to work on the plan and to keep the plan alive. The trick is to make it simple and relevant. It is not always as easy to do. I feel that is where we need to adjust the most in future. We need to keep it simple, without letting the plan become banal." (CFO)

In other words, the company needs to adjust the new strategy plan and make it more manageable for the employees, without making the plan to trivial. As well as having prepared a new strategy plan and a new way on how to follow up the plan, the company has introduced category strategy. An informant explains further what category strategy is:

"It's a strategy that says something about the products, ways we develop products, how we think in terms of product groups, how we develop our products within it and the group. We focus on many aspects regarding the strategy for our products. The strategy is involved in the company and affects the overall operation. We work very much with range, range management, what should be the basis for it. We work with our products and product maturity, how mature the products are, etc." (Sales Manager)

In terms of how far the strategic plan reaches out in the organization, all employees are well aware of the company's main objective, which is to have a turnover of 1 billion. The other goals are known within the firm as well. For instance, the sales department is familiar with the target of becoming the market leader and the departments are aware of their targets. The awareness of the company's objectives stands in contrast to how the strategic plan was performed before by the management team. When the company still had a budget, it was only the management team who drafted the strategy plan every three years and left it on the shelf until it was time to draw up a new plan. In summary, the company's strategic planning has changed from being a static affair that was not related to the financial management, to a dynamic process were the strategic objectives are known among the employees. How the company designed their strategy before, are in line with what the budget has been criticized for, namely that not linking the strategy against the budget (Rickards, 2006). Moreover, the traditional management system has been criticized for letting strategy planning be reserved for the management team (Bunce, 2003; Hoff et al., 2009). In Hennig-Olsen, the implementations of Dynamic Management have not changed who are in charge of the company's strategy; still the management team handles the company's strategy. What has changed is the fact that the company's employees now are aware of the strategy plan. The employees are now aware of the company's main goal and the objectives associated with their department. The goals related to the strategy will from now on be presented.

A common thread

Before Hennig-Olsen implemented Dynamic Management, the company did not have many targets, expect some targets regarding sale, profit, result and quality, and none of the targets focused on the company's costs. However, there were not developed appropriate plans for achieving the mentioned goals, and the goals were not getting the attention they deserved either. When the company had a traditional management control system, key performance indicators was not a completely foreign concept. Nevertheless, the company's key performance indicators were not of optimal design, and there was not an appropriate link between the key performance indicators and the company's strategy. Furthermore, the key performance indicators were not kept an eye on either, and the informants explain further:

> *"We had key performance indicators, but we did not have a good set of key performance indicators in my opinion. […] In practice we did not have key performance indicators either because they were not followed up in a good way, this was because they were not that relevant."* (CFO)

> *"We have not had many KPIs in this company really. I will guess that KPIs get more focus for years to come. It is not as if every department had KPIs before, or that every employee has had KPIs that measured their performance. There has been not been a focus on the company's KPIs before. However, we are only in the process of establishing that."* (Supply Chain Manager)

Founded on the quotations above, one can read that the company did not pay much attention to the KPIs before the implementation of Dynamic Management. The KPIs the company had before were not particularly relevant, and the KPIs did not reach far out in the organization either. Furthermore, the set of key performance indicators Hennig-Olsen had before implementing Dynamic Management did not have the proper focus:

> *"We never engaged in any key performance indicators regarding cost. There were only sales and profit."* (CEO)

The fact that the KPIs did not focus on costs may result in not getting the overall picture of the performance of the company. In the current 3-year long strategic plan, developed in 2013, the focus of the designed key performances indicators has shifted. The KPIs became more visible and important for the company when Dynamic Management was introduced, and the KPIs now focus on establishing a link between the company's targets and the company's strategy:

> *"Initially, we made them [Key performance indicators] more relevant by linking them directly to the company's strategy.[…] We developed about 10 to 12 main key performance indicators based on the strategic objectives."* (CFO)

Now, the key performance indicators are no longer based solely on sales and profit, as they were before Dynamic Management was implemented. The interviewed managers are nonetheless not satisfied with the current key performance indicators, which were implemented along with the new management control system. The informants agree that the key performance indicators need to be adjusted and further developed:

"The danger is that if one does not have the correct key performance indicators, they can be counterproductive. Currently, we are working on building up a new structure around our key performance indicators so that we get a more common thread throughout our enterprise." (Sales Manager)

We must dig deeper into the details. […] We do not have satisfying key performance indicators yet. I am however convinced that we will get there. I hope that by the end of the year, we will have good KPIs and that our employees feel that they can influence. I hope that good KPIs will make the employees feel ownership to their KPIs and also to the company's total performance. [...] If you have KPIs that you can read from the very bottom to the very top, with either the cost side or regarding profit, everyone can see what happens when they do their job and when they achieve the set the goals. If we have KPIs like that, the employees can see that their job affects the overall result. It is easy to talk about, but much harder to achieve." (CEO)

"We added a set of overarching key performance indicators, but I see that they are not good enough. We have to make them more consistently, and we need to be more detailed and more focused on the things that we can influence. […]We have linked the KPIs close to our strategy. However, some of the goals are so long-term that we do not get the great value of the KPIs in the daily operation, as we should. [...] The KPIs are not enough division-oriented, the employees can therefore not see the results of their work well enough so that the KPIs do not become a good follow up in the daily operations. There is a good relationship with the strategy, but they are not operational enough simply." (CFO)

It is noted that it is important to have KPIs that are well-functioning, as KPIs that are not good can be counterproductive. Informants note that good and well-developed KPIs can ensure that employees at all levels of the enterprise can govern their achievements and also see the influence they have on the company's overall result. The informants acknowledge that the company has to continue to develop their KPIs, since the KPIs the company has today are too overarching and not good enough.

Several of the informants have noted that particularly the KPIs could have been more developed before implementing the new management system. The initial KPIs are based on historical figures on a too high level, and additionally the KPIs have not been made clear enough in the organization:

> *"We could probably have worked a little more with KPIs before we started, and be very clear on the KPIs that are important to us. We could maybe have a little more focus on that before the implementation. The key performance indicators we developed were based on historical key performance indicators, which consist of top lines, market share, and cost structure."* (Sales Manager)

> *"There are some who have requested more support in understanding their numbers. I think that we could have spent more time on explaining the numbers. I have taken for granted that they properly understand their figures [...]. Increasingly we stumble upon very simple issues, like how a cost occurs for example, and we discuss very basic things. Therefore, I think that we should have spent more time on basic economics understanding. That would maybe have made things easier, and the employees would maybe have understood the KPIs to a greater extent"* (CFO)

As of today, the KPIs are not relative enough and more static than the company wants them to be. The goal for Hennig-Olsen is to have KPIs that are as relative as possible and find some competitors to compare themselves with within the market. It is not easy to find competitors that are suitable for comparison, as the company only has one major competitor that is not ideal to measure them against and one informant explains further:

> *"The ideal situation is to have someone to measure us up against, related o the market, but it is not easy. The best we have is market share, where we have OK measurements. However, when there are two main competitors in the country, and the numbers are not available, we are not listed any of us; it is not so easy to find relevant KPIs. We compare our performance internally in the company. For instance, we have seven different sales regions, where we can compare across the regions. The regions may have common KPIs that they can follow up."* (CFO)

The company has tried to find competitors that they can use as benchmarks; however, it has been problematic, as the remaining competitors in Norway are not large enough. There have been attempts to find foreign companies that they can compare themselves with, but the companies that have public figures are mighty in size compared to Hennig-Olsen. The company wants to find good figures, but for the time being, they must make do with the internal comparison. The company has requested figures from Danish producers, and considering whether it may be appropriate to measure their performance up against them:

> *"If it is not completely comparable, it can still provide some indications of where we [Hennig-Olsen] are weakest."* (CFO)

The KPIs at Hennig-Olsen are color coordinated, respectively red, yellow and green. Green indicates that you are on the right path toward the target, yellow indicates that you are not quite where you should be, and finally red indicates that one is not on the right track. Furthermore, the company has started working on implementing LEAN, where new KPI will be developed as well. LEAN is a management tool that focuses on reducing waste in the company; the purpose is to create as effective processes as possible. The company had talked about implementing LEAN for quite some time; however, the project was not realized before implementing the new management control system. Dynamic Management created an environment that was more suitable for LEAN, according to the informants. The company started working on the implementation of LEAN at the end of 2014, the project should be completed by summer this year, and the informants' expresses further:

> *"[...] in association with the LEAN-project, we will completely change everything again and we will add a new set of key performance indicators, where some elements of the prior key performance indicators recur. However, the new set will be consistent throughout the entire enterprise. If we then are on track, we will begin to implement the new set of KPIs before the summer. Then I think that we are going to spend almost a year before we see that the KPIs have set themselves properly in the company. I think that you should be quite pragmatic in the beginning and make changes related to what is practical, how it is convenient and then measure it."* (CFO)

> *"Now we are working on a project called LEAN and the project will develop a new set of KPIs. [...] Now we are building a new structure around it and we will get a more common thread throughout our business with the new KPIs"* (Sales Manager)

The new set of key performance indicators includes the following main areas: effective value chain, proper quality, profitable growth, strong brands, market, people, and society. These main areas are the areas that Hennig-Olsen finds important, and the areas are described across the company's departments:

> *"In practice, you do not get a strong brand unless the quality is good enough if you have not done a good job in production. All those factors work together. We have therefore chosen to describe areas across departments in relation to our new set of KPIs."* (CFO)

In total, there are now developed twenty-one key performance indicators in the new set. The management team will have a meeting at the end of April this year, where the new set of key performance indicators will be presented to the management team, and a new set will be discussed. If the management team reaches an agreement, the new set of key performance indicators will be implemented before summer.

Furthermore, the current set of key performance indicators are mainly made in a top-down fashion as mentioned above, where the management team forms KPIs and then added to the overall outline. The new set of KPIs in association with the LEAN-project will not be developed in the same fashion as earlier. With the new set of KPIs, the departments can propose potential KPIs and the management team will then decide whether the proposed KPIs are good enough and if the KPIs should be included in the department:

> *"Initially we had good KPIs at an overall level, however, they were not well enough linked to our departments. Now that we are working with LEAN, we work from two sides. The management team evaluates the overall KPIs that the company needs and the departments evaluate what kind of KPIs they need. […] All the departments can get the KPIs they want; I am not going to say, "You're not allowed to have that KPI." However, the departments may forget to include some important KPIs related to the requirements at the overall level. The total set of a department KPIs must at least include a minimum of the KPIs we need at the overall level [...]. The new KPIs are in some way still made in a top-down fashion. However, in the company's main matrix one can include both KPIs from the management team and KPIs proposed by the departments that are good enough."* (CFO)

In terms of what is required to implement the Dynamic Management successfully, an informant believes that the key is well developed KPIs:

> *"I believe that if we are going to with Dynamic Management, one must have extremely good KPIs. I think KPIs are the key to success. The KPIs must not only be good, one must cultivate and follow up the KPIs. One must focus on them every day, and if one does that, I think one will succeed with Dynamic Management"* (Sales Manager)

When Hennig-Olsen implemented Dynamic Management, the management team started paying attention to their key performance indicators. Initially, the KPIs were made relevant, which they had not been before, and linked to the company's strategy. The first set of KPIs, implemented along with Dynamic Management, was made in a top-down fashion. With the introduction of LEAN, the company is working with a new set of KPIs where both the management team and the departments develop them. The new set of KPIs will be introduced simultaneously with the LEAN-project, and the new set will focus on getting a red thread through the entire enterprise. According to what is recommended by the Beyond Budgeting model, the process of developing strategic objectives and key performance indicators should be done at the same time (Bogsnes, 2009). The purpose of having key performance indicators and developing them is to see how far along the road a company, or a department, is in reaching the company's strategic objectives (Ibid). Hennig-Olsen is therefore on the right track regarding how they have developed their key performance indicators, according to what the interviewees have informed. However, the initial key performance indicators are made in a top-down fashion, which is not optimal for a Dynamic Management system, as each unit within an organization has their strategy process and objectives. A management team may not acknowledge what all the preferable objectives should be, and, therefore, the different departments should have the opportunity to influence the company's key performance indicators (Ibid). The company experienced that how they develop their KPIs was not optimal and are therefore working on involving influence from the bottom up and not only from the top down. Furthermore, the Beyond Budgeting the approach focuses on that businesses should have key performance indicators that are relative and not static, which is the most difficult element related to the KPIs (Ibid). It can be difficult to find competitors to measure themselves, both externally and internally, as Hennig-Olsen has experienced. If you do not have anyone to compare them with, one can use their historical data and use that as the benchmark, which the company exerts. Another advice regarding KPIs, according to the Beyond Budgeting model, is that the optimal level of KPIs is around 10 (Bogsnes, 2009; Hope & Fraser, 2003a). The company has now developed a new set of KPIs; contacting twenty-one indicators in total, which above recommend level.

4.4.4 Allocation of resources

The process of allocating resources has changed drastically since the budget days in the company. Before Dynamic Management entered the scene, the next year's investments were planned during the budget process and were allocated by the budget limit. If an unexpected event occurred, the management team had to sit down and see if and where the budget could be cut to make room for the new investment. The allocations of resources are now a more continuous process at Hennig-Olsen, where the managers experience more freedom regarding allocating resources for new investments and at the same time more responsibility. With the new process of allocating resources, both unforeseen and foreseen investments can get approval from the Board and the management team. The process has changed from a static affair to a dynamic way of allocating resources.

Rolling with the punches

When the company implemented Dynamic Management, the allocation of resources became a more flexible process regarding unforeseen events. The new way of resource allocation is dynamic, and, therefore, more suitable for today's changing environment. An investment can be applied to the management team at any time and not annually. The investment will then be enrolled as a desired activity, and the management team discusses whether it is to be approved or not. As of now, all of the departments within the company can get additional resources throughout the year:

> *"If it proves to be a good calculation, related to the investments in both machines and market, then we can introduce [the investment] anytime and decide that we will conduct the investment. We do not have to wait for the budget round."* (CEO)

Not all of the investments need to be applied to the management team and be further debated; it depends on the dimension of the investment. Either the management team decides if the investment is approved or not or if the investment is less than a certain amount, the managers of the department can make the decision.

Even though the company has abandoned their budget plan, they still make an activity plan, which includes an overview of all the expected major investments. The investments that are a part of the on ongoing operations within the firm are not planned but are being evaluated when occurring. The majority of the informants, therefore, agree that the new way of allocating resources is a more dynamic and improved process. It is more appropriate for Hennig-Olsen to conduct investments in a steady stream, to roll with the punches than to consider the business's investments once a year. Some of the managers find the resource allocation process more complete:

> *"Now you look at each concept, and we go through a profitability analysis of each new product line. We can see how the profitability will look like [...] it's a bigger correlation between the various investments."* (CEO)

> *"We measure the individual decision in a slightly different matter than we did in before with the budget process. [...] I think the new way of allocating resources makes people more conscious of their cost management to a greater extent than before when you only had a given level of resources. Now we will have a slightly different focus around the decisions you make and regarding the way we manage our costs »* (Sales Manager)

> *"We have become better at evaluating what investments we should prioritize away and perhaps we now see more clearly what need the other[departments] needs"* (Supply Chain Manager)

However, the new way of allocating resources is not flawless. Some of the managers point out that the process is more extensive than before and that it can be inhibitory regarding growth and creativity. One of the informants tells the following:

> *"We are both more critical and analytical regarding how we are making investments now. […] Clearly, the good thing is that one evaluates it both one, two and three times. Nevertheless, it can also be somewhat restraining on more impulsive projects because the process of allocating resources is more a more extensive process now compared to when one already had a frame to deal with."* (Marketing Manager)

The new way of allocation resources is more continuous than it was before. Having a continously resurce allocation process makes it more dynamic and flexible. However, the new process is also more complicated and more demanding. If the process gets too complicated, it can lead to managers not asking for resources to a new investments and an informant explains further:

> *"It may be that you think that you cannot bear to fight for this [investment] now and then you would rather drop the project. It can go both ways, with the new process. [...] I mean that Dynamic Management is weakest regarding the trivial projects, projects that are not large and more mainstream. It is, therefore, a risk to fall between two stools because nobody finds it important enough and no one wants to fight for the project."* (Marketing Manager)

The informants agree that the new process is nevertheless a better way of allocating resources. With the new process, they have a better overview of the company's investments and activities, and there is no longer a concern regarding the budget limit. However, the process needs to be further adjusted and developed. An informant at Hennig-Olsen explains that they need to change the way the different sales regions thinks regarding their resources:

> *"One must get away the culture where you think it's my machine and if I do not have this machine I will lose this much in revenue. It is about which key indicators to use related to the measurement [...]. If one measures a region only on the top line, it is easy to get such a culture where one ensures that you have the funds needed to reach the goals for your region. One might think little of if it is a profitable turnover or less profitable turnover in its entirety. It may well be that it had been cheaper and more beneficial to the company that it was slightly lower turnover in Oslo, for example, and slightly higher in Bergen, or vice versa. In that sense, we have a little more work to do."* (Sales Manager)

Some informants stated that the new way to allocate resources could be a competitive advantage for business. The new flexible method to allocate funds to projects and activities is appropriate when you no longer have to wait for the budget round:

[Dynamic resource allocation] gives us at least the opportunity to do what we want, when we need it. We are no longer locked to that we cannot invest in it and that, because of budgets. In that sense, it provides the increased flexibility that can give us a competitive advantage." (CFO)

"There are not so much dynamism in our competitive conditions. However, there is much different kind of competition from new product groups. Then it is nice to have Dynamic Management and dynamic resource allocation when assortment is changing." (CEO)

The implementation of Dynamic Management has resulted in a flexible resource allocation, where one no longer locks resources to projects in the budget settlement. With flexible and dynamic resource allocation, the resources becomes available when the need arises. Most informants agree that the new way of allocating resources is more appropriate than the static method used before. One of the informants expresses concern for the new method since it in the informant's opinion can become a complicated process that can result in not fighting to win support for profitable activities or projects. The majority of respondents felt that the new way leads to assessing the profitability of the projects more carefully than before and that it is beneficial to be able to allocate resources when a new opportunity appears. The new way of allocating resources is in line with one of the Beyond Budgeting principles to Hope and Fraser (2003a, p. 69), *make resources available as required*. It is recognized, however, that one must work with resource allocation forward in now and get the mindset to reach out to the fingertips, as the various sales regions have a "my resources" attitude.

4.4.5 Planning

The planning sequence was performed by the annual budget before Dynamic Management was implemented. When the annual budget was approved, the budget plan consisted of targets, forecasts, and allocated resources for the year to come and all three processes were presented as one number.

Separated processes

The planning process changed when the budget was abolished, and Dynamic Management was implemented. Before it was planning the preparation of the budget, which was a fusion of both objectives, forecasting and resource allocation. After the company introduced Dynamic Management, the processes became separated from each other and controlled in a different way than before. The objective is now being prepared together with the strategy. Now the strategy is a rolling process visible in the company and not a static three-year plan that is not taken into consideration by the management team. Moreover, forecasts has become an independent part of the planning process where you update them dynamically, rather than once a year. Resource allocation has become a continuously affair, where one invests when the need arises, if the investment is profitable for the company in its entirety. One informant explains how planning takes place in Hennig-Olsen after Dynamic Management were introduced:

> *"We've drawn up a strategy with some overarching goals, and based on the overarching objectives; there must be a plan for each area of how to reach the goals. […] When it comes to the prognosis, it is made in a different way. It is a check that we are on schedule. [...] The plans are based on our goals, and there is no direct link between objectives and prognosis."* (CFO)

The plans are now based on the company's developed targets, and there do not exist a dependent relationship between the targets and the forecasts. Now the forecasts are made independent of both resource allocation and target setting. The forecasts are supposed to reflect a realistic prediction of the future. The plan will be a blueprint for how the company will achieve its goals while the forecasts should be a thermometer for here and now.

If there are deviations related to the plan, the management team will examine the variations carefully. The management team will set guidelines and take charge to hinder future variations and potentially larger variations. An informant explains further, what the management team does when deviations are discovered:

> *"You always see if there is a discrepancy, if there are differences. The management team always try to understand why there is a discrepancy. That may involve such simple things as that what one measured against should have contained a big*

promotion coming next month that have not been carried out yet. One can very easily estimate what a big promotion can contribute with related to the company's result. One has to see what activities are going forward, that are influencing the overall outcome. If there have been variations in the expected activity level, for example. Such things are very nice to have to set guidelines. If we see a trend in the overall market, if it changes violently, one is forced to take other measures. We are watching these factors carefully." (CFO)

If there are deviations, the projections become aligned accordingly, as the prognosis should be as realistic as possible, and this will be explained further in the following.

Rolling forecasts

In the company forecasts become a central part of management tool. The forecasts are not prepared in the same manner as strategy plan, and an informant tells us about the process:

"When the plan is added, you can start making some projections […] Then you can start making some economic forecasts, on how we believe that the years ahead will be." (CFO)

The company focuses on the forecasts and use them to check if they are following the plan they have drawn up, so they can evaluate how they are related to the strategy and its targets. The forecasts are prepared at the beginning of the year and then taken a position on the road:

"We will decide [the forecasts] mostly quarterly. We do not create new projections all the time, but if there are significant changes, we must change the prognosis. If we are not talking about major changes, we maintain the forecast and report monthly to the accounts. When there are changes, we make new estimate including the right figures." (CEO)

"We have got rid of the big job of budgeting on each account every autumn. We used the very much time on it. Now we create forecasts of 12 months and include both cash flow and cash flow overall, on what goes in and what goes out. I believe that the individual learns to take a little more responsibility for the various activities they initiate. » (Sales Manager)

> *"The [forecast] is a check that we are on schedule. I do not account for the plan when I make a prognosis. What I do is that when I sit down I make a prediction based on here and now, with what I know today, what I think the next 12 months will be."* (CFO)

If it does not go according to plan with the company's planned activities and investments, the forecasts shall not be shaped by this. The estimates should give a realistic picture of how the company will be within a given time and not be colored by where they should be within a given time:

> *"Let's say that it is planned to get ten new major customers next year. If we have not seen hide nor hair of the ten new customers in April, then there is not ten new clients in my prognosis. When I have done an assessment of what I know today, the evaluation is an estimate of where the company likely will end up in 12 months. In that respect, our forecasts are disengaged with our goals."*(CFO)

> *"It's the financial department that is most involved and make the forecast, and it is an assessment of where you think the company will be in the future. So for me will give estimate signals that we are on the right path, or whether we are on the wrong track, if turnover is down or if costs rise, so will catch up relatively quickly."* (CEO)

With Dynamic Management, it is easier for the company to take action if there are discrepancies between what is planned and what the company has achieved so far. The new management tool is more flexible than the previous one. When the company had budgets, it was difficult to account for the discrepancies since the resources of the company were already linked to the given budget. If there are deviations, for example if you do not get the number of new customers you expected, the company can adjust the forecasts accordingly and take action to reduce variances. The forecasts should thus not be wishful thinking in terms of what the company wants to achieve, in, for instance, three months. On the contrary, the forecasts should be a tool that expresses what the company likely will achieve in three months.

Last year the company experienced a very good result due to fine weather over the summer and it is pointed out by an informant that the good results last year should not influence this year's projections:

"It is clear that you do not make forecasts based on the fantastic weather we had last year. The forecasts should be based on the present standpoint." (Sales Manager)

As the company produces ice cream, one is relatively dependent on the weather, especially in high season that lasts from mid-April to mid-September. During this period, the company achieves 55 percent of its turnover, and it is, therefore, important that the forecasts are realistically related to the expected sales. Consequently, it is appropriate for the company to have rolling forecasts, as it entails a more flexible operation. In the production department, the forecasts are shortened to 12-week forecasts. The production department has an even higher demand for flexibility in terms of production and especially in the summer where sales are relatively dependent on the weather.

Before, the company only evaluated its position once a year and the forecast was influenced by the goals that were set and influenced on how resources were allocated. The three processes, respectively forecasting, resource allocation and target setting, influenced each other and it resulted in that the company missed the budget. Interviewees agree that their new dynamic way of forecasting is a better at predicting what is going to happen. One informant expressed the following about what determines a good prognosis:

«Clearly, a good prognosis is not just replacing January last year against January this year; we are done with that kind of prognosis. One has to see it in a slightly larger perspective. I think to get a good prognosis, you must use a slightly larger horizon, and we are currently working on that. When we make forecasts, for example for the total volume of ice cream in Norway, we use 3-year history and we see what has evolved, what has happened. [...] These things are helping us to form the basis for our goals. Customer Platform and innovation is also influencing this." (Sales Manager)

Historical figures are still an important part of the forecasts at Hennig-Olsen. When forecasts are prepared, the management team looks at what has happened over the last three years and how it has evolved. For example, they can look back on the trend curves for the various product groups and look at how the trend curves have changed in the past year. The mentioned aspects form the basis for the forecasts of the company.

Currently, the forecasts are based on what the management team believes is mostly likely to happen and as of today there are not prepared best and worst case scenarios. To prepare best, worst and most likely scenarios means that one prepares three forecasts about the company's conditions. Hennig-Olsen's sales conditions are heavily dependent on the weather in the high season. Informants have different opinions about whether it would be appropriate to introduce such forecasts and shares the following:

> *"We are not there yet, where we can have best case or worst case scenarios. We do not have good, bad or average weather in the forecasts as of today. We should be able to work more with that. We have a sales budget, or sales targets, which we aim to reach."* (CEO)

> *"It's probably only a pipe dream. It could easily be a lot of work, which you have to account for. You have to measure the process of preparing forecasts against the time spent on budgeting. One must not make the process of forecasting more bureaucratic than it has to be because then you find yourself back at square one before we even know it. The most appropriate is if you manage to make forecasts that everyone believes in, and which is the most realistic outcome. Then do not have to have the best and worst case as well."* (Marketing Manager)

As the quotes above displays, there are different opinions regarding developing best and worst case scenarios. As one of the informants mentions, if the company's forecast are realistic enough, then there is no need for best and worst case scenarios. However, it is difficult to predict the weather and last year the company was close to reducing the production of ice cream before the summer started:

> *"In March last year, we discussed whether we should reduce production for the summer. Then it turned out to be a great summer. If we had reduced the production, it could have been a crisis. We were empty for many products during the summer".* (CEO)

The company can, therefore, benefits from being prepared if the weather turns out nicer or worse than what was initially assumed, as the company by doing so can switch production quickly and take action.

It has also been discussed among the managers how long the forecasts should be and whether the company will follow the calendar year or not. Currently, the company has decided to prepare 12-month rolling forecasts and adherence with the calendar year. An informant believes that making forecasts 12 months into the future is not sufficient:

> *"If you use 15, 16, 17 or 18 months as length of the forecasts, I think that is appropriate. You should at least have 15, 16 months as a starting point to get a good prognosis. If we do not have that, so it is easy to miss."* (Sales Manager)

Another informant expresses the length of the projections is not that important, the company should rather think about seasons related to planning and forecasting:

> *"I think that we will retain the calendar year, but it will be much more rolling than before. I rather think we should think of seasons, low season, high season, how it goes in waves either quarterly or four months."* (CEO)

Hennig-Olsen has separated the three purposes that the budget had before, namely target setting, resource allocation, and forecasting. With the introduction of Dynamic Management was eventually to let the three purposes constitute only a number. It is in line with what among others Bogsnes (2009) recommends when the three purposes do not go well together, as they are in conflict with each other. Trying to let the three different purposes become one number can go beyond the quality of purposes (Ibid). The company currently uses rolling forecasts, and they are updated when necessary, usually every quarter. Estimates act as an indication of where they are heading. If anything changes underway, new estimates are prepared. It noted by the informants that the forecasts are not a measure of where they want to be in about four months, the forecasts are the best guess on where they will be in the future.The use of rolling forecasts are in line with what Hope and Fraser (2003a) recommended in their Beyond Budgeting model. Rolling forecasts provide rapid future analyzes; this means that changes will be decided continuously and with Dynamic Management one will thus avoid big surprises. Rolling forecasts cover only numbers that are important and should not be too detailed. Furthermore, rolling forecasts a way you assure the owners of the company where you are on the way ahead, and the forecasts help finance department to collect and manage cash requirements. Rolling forecasts are also useful to assist management to make important decisions regarding the future.

4.3.6 Reporting and monitoring

Reporting and monitoring take place monthly in the company now, where the management team look at the monthly KPIs and a monthly financial report. The monthly financial report is reserved for the management team and the board of the company while other employees have access to company reports via the information system. With the traditional management system monthly financial reports was undertaken as well, however, the management team did not follow-up monthly KPIs and did not take actions related to negative trends in the degree that they do today. In terms of monitoring, management had not the resources to monitor every activity on every account throughout the year. Before one would follow-up during the budget round. The ones who were responsible for the budget would then explain any departing and have to defend the use of the previous year's budget. With Dynamic Management, the monitoring of the company's performance takes place more continuously. Moreover, reporting, corporate information systems, recently updated with the introduction of a new system. These factors will be discussed further below.

Future-oriented focus

With the introduction of Dynamic Management, changes were made regarding how the company exercised their reports. Now the company takes the monthly KPIs into account in their report, where one can assess corporate performance. During the budget process, the cost structure was fixed, and the use of resources was not actively controlled before the management team evaluated the previous year's budget. The management did not follow up corporate performance as actively and dynamically either and an informant adds:

> *"Before you could get a frame in October, and it is obvious that the management team did not have the opportunity to go into each activity for afterward and control."* (CFO)

One often did know not until the next budget round what the consequences of were. When the last year budget was considered; employees had to explain deviations from the framework. It was not taken into account that the conditions could be changed, for example if there had been bad weather or a lower number of new customers than expected. The explanations of variances were often claims about that one had budgeted errors in October and, therefore and therefore, the deviation occurred. Deviation explanations were a time-consuming process, and the process added no value, as the company concentrated on why there were deviations rather than focusing on what they should do to prevent future deviations. However, if discrepancies are discovered now, the management team take action:

> *"If there is a discrepancy in the report, we [the management team] discuss it with the Board. We discuss what measures we need possibly need to do related to what the numbers show."* (CFO)

> *"We have a review at management meetings and go through the financial reports every month to see if there is a discrepancy and whether accounts have changed."* (Sales Manager)

Reporting serves as a form of control for the company, by discovering if the company is on the right track in terms of what is planned and compared to what last year's reported showed. If there are major differences, the management team takes action.

Another form of control

When it comes to the control of the performance of the company, the monthly KPIs are also reviewed along with the monthly report:

> *"We have KPIs, which we are not satisfied with, but that is part of the control of the enterprise. We see if the KPIs and the report, in general, look reasonable."* (CFO)

The informants note that there has not been exercised more control in relation introduction of Dynamic Management, but that control is exercised differently:

> *"I see, on a general level, if the cost picture is in line with the previous year. Otherwise, I do not use much time on it today. I might go back when the month is over and see what costs are this year compared to last year. Also, the employees are excellent at giving notice if there are things that pop up. We talk together in advance now."* (Supply Chain Manager)

"We have not added so much more control.. Maybe we should have had more. However, I follow the overall figures very closely and as long as I have seen that no expenses grow to any great extent, then I am satisfied. I think I may have to support the departments to more, at least the departments that want support. [...] Good KPIs will contribute with an overview if you are being measured on for instance effective value chain. Let's say that you measure an efficient value chain well with one or more KPIs. Then it is clear that you will certainly need to take the action to streamline the company's processes order to reach the goals you set. I also think that the control part will fall more in place when we get better KPIs " (CFO)

It expressed further that the controlling performance through KPIs is another form of control than what the company had earlier. By allowing employees gain insight into their performance through proper KPIs they will see what they can bring to the enterprise, an informant adds:

"By introducing monthly KPIs, one must show how one has evolved in its area. So then it becomes a form of self-control when you have to tell and show the others what you have achieved. " (CFO)

Moreover, it is informed that of several KPIs currently do not function as a good follow-up in the everyday operations. The KPIs are not sufficiently broken down into the company's departments, as mentioned previously in this chapter. Before the budget served as the corporate's previous form of control. Whether it was a good form of control is another question, one informant adds:

"You think that you have excellent control when using budgets, but in practice you can risk to adapt far from optimal. Because you think that you have control. I think that a management system and hence control should be more about getting the grasp on reality. Which I believe we are doing much better now. » (CFO)

Another way the company exercises control is through shared values and guidelines. By ensuring that the employees acknowledge the company's values and guidelines, the employees will more likely act in the company's best interest and not on the behalf of their interests. An informant says it may be appropriate to control their employees both through values and guidelines:

> *"First of all you must have a combination of both values and rules. Values are very important to us; we use it a lot here. However, having that said that you have to follow up the employees and their actions without being a police. The management team must know what happens regarding costs [...] With Dynamic Management we will try to give the employees a little more independence. The ones that are closest to the challenge should have greater influence to solve the challenge."* (Sales Manager)

Hennig-Olsen's values are OTTO, named after the company's previous CEO. OTTO stands for the Norwegian words: **O**rdentlig, **T**rivelig, **T**roverdig, and **O**ffensiv. In enligsh, the values are respectively: proper, nice, trustworthy and offensive. The values constitute the foundation of the business. Otto is the company's values and code of conduct that the company's employees will identify themselves with. In terms of guidelines, the company is ISO certified, and has several ISO standards that must be followed in terms of procedures and routines. Moreover, the company developed some code of conducts that applies to everyone within the company, and in conjunction with the LEAN-project there will be made behavioral contracts for the managers.

Another important element in related to control is how management exercises control during bad times. Currently, the company has not experienced bad times with the new management control system and thus do not know how Dynamic Management will function when the company needs to hit the brake pedal. An informant expresses the following regarding how Dynamic Management acts as a management tool for the company during hard times:

> *"I think it [Dynamic Management] would work better because then you can easily put on the brakes. During hard times, you will get the benefit of having a shorter planning horizon since you have not signed contracts that you know starts with about 3/4 years, and the resources have not been allocated yet. As a braking system, when things start to go wrong, I think that Dynamic Management will function well. It is good also in good times, but it is not as active, I think. However, you have to remember that I would like to have much money to promote the company because my job is to get Hennig-Olsen in the best position possible in the market. My motive to get much money is probably different from the other managers. It is important to have into account when evaluating my opinions"* (Marketing Manager)

After the company removed the budget, the company has introduced a more active monthly reporting system, where one evaluates performance in terms of the company's KPIs and previous year's figures. If there are deviations, the management will take action and look at what needs to be done rather than evaluate what has occurred in the company on an annual basis. Informants note that they are now more forward-oriented regarding the company's operations, rather than spending time on finding explanations for why there were discrepancies in the budget. As mentioned, the reports still focus on the last year's figures, but in return are implemented measures if there is a discrepancy and the previous figures serve as comparisons in terms of the company's achievements. Before the company was controlled by the budget and its limits, when the company introduced Dynamic Management they have begun to steer after their KPIs. The company now focuses on the KPIs and manages after them, and as a consequence, the management team continuously evaluates where they are related to the goals they have set. These changes have made the company focus more on future value creation and aspirations, instead of earlier incidents. The shift in the company focus, from the past, to present, through management by KPIs are in line with what Hope and Fraser (2003a) recommends related to the Beyond Budgeting model they have developed. Furthermore, the authors recommend that one should after steer clear principles and values rather than controlling a business through a budget, and this is now practiced at Hennig-Olsen.

Flexible information system

The information system at Hennig-Olsen is based the program SAP, also to SAP, the company have implemented a program on top of it, called QlikView. SAP and QlikView are both reporting systems. Those who have access to SAP and QlikView also have access to every department's reports within the company and, therefore, have the opportunity to see what the other departments report. In conjunction with Dynamic Management, the organization has prepared an activity plan related to all the investments in the company. The activity plan has been integrated into the information system and is available to anyone with access to the system. One informant tells the following on how the information sharing has changed for Dynamic Management entered the picture:

"I think that information has become more open and more accessible for all after Dynamic Management came into play. Before we perhaps dealt more with our budgets, and we had very little insight into what the others did. We did own priorities within the budget framework we had, without seeing the big picture." (Supply chain manager)

SAP was introduced in 2005 and is more of atraditional system. In this information system, one must choose and know which accounts you should enter or run fixed reports. In the new program, QlikView, things are different, informant explains further what the system is like:

"QlikView is a system where one gets up an image and then you click and select a department, furthermore one chooses accounts without having to search for things. You can click one place in the program and then there is a new selection on the screen. The system twist and turns numbers constantly, with one click one sees one picture and with another click so you can see something different [...]. SAP is good at doing things right, about all the regular procedures everything from logistics to invoicing." (Middle manager)

"A neat feature with QlikView, compared to many other systems that I have used, is that one does not have to make a complete description of the required needs and deliver it to the provider. It is much more of a process where we work together. It's easy to make changes, and we can sit together and discuss "what worked, what did not work, we do some changes there.". So that's a great thing about QlikView." (CF0)

QlikView became a part of the information system at Hennig-Olsen in August last year, and the system was gradually introduced during the autumn. As of today, it is mainly the factory department, the sales department, and the finance department that have adopted the new system. However, in the future it will be of interest that the marketing department and the procurement department also starts using the system. The informants are satisfied with the new information system and explain further

"So in that respect it [the information] is more accessible now with QlikView since the system has a lower user threshold." (CFO)

> *"It's a bit difficult to get it [the information] presented out of SAP. Therefore, we introduced a better system called QlikView, last year. It is far more user-friendly and flexible, plus it displays information faster."* (Middle Manager)

Not every employee has access to the information systems SAP and QlikView within the organization. The production department does not have access, and an informant explains further, why not every department uses the information system:

> *"We work with very different things in our company. Those who work in the production department, they do not have access to the computer system because they stand along an assembly line and, therefore, do not have that need. It's not like everyone can see everything, it is not."* (Marketing Manager)

During this fall, QlikView 2 will be introduced for the company, which is an improvement over its predecessor. QlikView will not be improved further as of now, the company wants to get an overview of what is working and what is not working and thus ensure that QlikView 2 is an optimal information system. In the system QlikView 2 it is planned that the LEAN-project and its associated KPIs should be integrated. LEAN and QlikView will, therefore, become part of the organization at the same time. The objective is that input from LEAN will be presented and be part of QlikView 2, when there is a need for new management information regarding LEAN. It is planned that the KPIs that are being prepared in connection with the LEAN-project should be visible in QlikView 2 and be part of a management portal. Additionally, the KPI should be integrated with the rest of the information system, and these mentioned operations are to be carried out to get interaction through the whole organization.

Another factor that is relevant in related to the information system is how transparent it is. A transparent information system and transparent information, in general, is one of the overall objectives in connection with the Dynamic Management. In terms of how transparent the organization is as of today, there exist the following opinions about information sharing:

> *"We are probably not good enough to provide information; we are not. It quickly becomes very organized information."* (Marketing Manager)

«Obviously, you miss more information now and then. It is always like that. However, you do not know what you miss if you do not get the information. It is clear that when we know that they [the management team] are in many long meetings. We know that they are discussing and handling various issues and sometimes they could share more information from their meetings. The cases that are being handled are presumably not always of information that needs to be shared. However, we do not know that either." (Middle Manager)

"No, we are not [transparent] enough yet. I would not say that. We have to evolve further in that area [...] I think it's very important to have transparency within an organization and d also spend time to explain the content. We can not only provide information, one must give good information so that our employees realize what they are told. » (CEO)

"Regarding information sharing, there is the discussion whether the management team conveys enough information and if the shared information reaches far enough out within the organization. The answer is always no. We, therefore, have to find the right balance time, and I'm not sure that we have, we are perhaps not good enough regarding information." (CFO)

"It depends on where you are in the organization. For we [the management team] have full access to all information and are paying attention to how the accounts are changing […] I feel that it works very well." (Sales Manager)

The new information system at Hennig-Olsen has been well received by its users, as it is more user-friendly than the traditional information system SAP. Most informants although express that the company needs to adjust the information system further, not only the system itself but also in terms of how transparent the information is within the company. It is expressed by the informants that increased transparency would be appropriate for the company, as it strengthens trust between subordinates and superiors. This remarking regarding trust is in accordance with what Bogsnes (2009) highlights regarding the consequences of increased levels of transparency within an organization. A high degree of transparency shows that there is trust between the different levels of an organization (Ibid). Furthermore, it pointed out that transparency is the new form of control, where one lets all employees have the opportunity to see what other employees are doing. Transparency will achieve a form of control that is not a formal system will be able to match. Furthermore, transparency is also one of the six Beyond Budgeting principles about decentralization developed by Hope and Fraser (2003a, p. 144). The transparency principle points out that open information facilitates learning and encourages ethical behavior.

4.3.7 Impression of Dynamic Management

In the following sub-chapter impression and experience of Dynamic Management at Hennig-Olsen will be presented. The following issues will bepresented: what problems the new management system has solved, what challenges have experienced, how the mindset has changed, how far the company has come in the process of introduction and how Dynamic Management will change now in the long term.

Adapted to reality

Dynamic Management has only been part of the enterprise in excess of a year and informants noted that they have several areas to work on and that their version of Beyond Budgeting is not yet perfected and completed. As presented earlier in the chapter, the new management led to changes in the way business is managed in particular in relation to the planning and allocation of the company's resources. In terms of the whether Dynamic Management has solved the problems the company experienced with the budget process, the informants have the following remarks:

> *«There is still a way to go. We have not yet managed to get good practices in the process, to allocate money for the various activities. We have not."* (Marketing Manager)
>
> *"Dynamic Management has solved the problem we had with regarding time spent related to the budget process"* (Supply Chain Manager)
>
> *"Now it's [Dynamic Management] quite new for us. [...] everything has a phase in which to implement it properly. [...] We have got rid of the big job of budgeting on each account every autumn. We used the very much time on it."* (Sales Manager)

> *"I feel that it [Dynamic Management] is more attuned to reality. Nothing has become easier; rather it has been a little more difficult. The budget provides a semblance of control that are not there. You think you have excellent control, but in practice, you can risk to adapt far from what is optimal. I think control is to get a grasp on reality, which I believe we are doing much better now."* (CFO)

> *"We have a way to go yet. There are more demanding and have budgetary constraints, so we have a greater claim to ensure profitability on projects that are outside the normal operation. We demand more from those who are in management, you constantly have to take a position on different investments and activities. If you have a budget, the calculation becomes more "you can do it and there, but not there." With Dynamic Management, investment proposals more extensive assessed. With Dynamic Management one can set things up against each other and consider whether to do this or that, market vs. production. One must cooperate more then. With a budget, it becomes a little more silo mentality where all are doing their part and have their frame, which can go beyond the totality. "* (CEO)

Based on the quotes above, one can read that there are different opinions about whether the new management control system has solved the problems the company experienced with the traditional management system. The informants are not unanimous about how good dynamic steering works as of now. Some informants point out that the implementation is still an ongoing process and that it is too early to see significant effects of Dynamic Management. It is further noted that the Dynamic Management is more a philosophy than a specific management tools:

> *"Dynamic Management is very largely a philosophy, I think. There are some rules in a way, but the important thing is to understand the philosophy. If one does, then one can imagine what rules should be. You must have the basic understanding. It thinks it is important that we get that knowledge."* (CEO)

Challenges related to Dynamic Management

The implementation of Dynamic Management has not been a smooth transition. Informants have the following to comments about the challenges they faced in connection with the introduction of the new management system:

> *"I think that it is a significant change from what they were used to. The average age of the management team is not exactly low. Some find the new system a bit unusual and would rather have the limits the budget provided. Nevertheless, people will eventually realize that this makes sense and that we need to work more on the totality of the organization. It is very positive to collaborate on the entirety of the company."* (CEO)

> *"I notice that we now that we have Dynamic Management some have little trouble adapt, they thought it was very nice to have a framework, "that money can I use what I want." We still have someone who could wish that they could have frames to spend resources after. It has not been painless to implement Dynamic Management."* (CFO)

> *"It's a little new to the organization. It is simply there to go away from there to follow very specific with an account. […] Now it is more than another way of thinking. One thinks "Is it necessary to spend the money," "Should we spend the money in relation to the opportunities that exist, or do not use them?".One gets a slightly different way of thinking, in terms of how you think of expenses, costs and investments."* (Sales manager)

The implementation of Dynamic Management were prepared for two years before it was implemented change of management. In connection with the preparations, there was held information sessions for management about the new management system. It was elucidated why a change would take place and what Dynamic Management was. The rest of the organization received information through information meetings. In the meetings, it was stated that the budget would be abolished. An informant from the middle management points out that this could have been solved in a different way:

> *"It was presented as" now we will implement Dynamic Management, and budget process is abolished. "We have received information about it, but not of the type "How we manage better now, how we are controlling the organization now. [...] When you" lose budget ", it had been beneficial to know what to steer by. The management team says it is a forecast but is it a prognosis that only economy have set up, without asking the others? Now I do not have any problem with asking the finance department about this, but for everyone else it could probably be an*

advantage to have been informed this. Of course it may be that they are informed beyond what I know." (Middle manager)

In other words, it is pointed out that the management team could have given more information about why the budget was abolished and what the new management system entails. Informants from the management team highlights elements that could be solved in a different way, in connection with the implementation of Dynamic Management:

> *"I do not think it would be better to take a lot of time on preparation, but perhaps we could spent some more time in relation to the board. It is unusual for the board as well, so maybe spent even more time explaining how control will be performed now, what should be the decision matters and what does not should be a decision matters. Think maybe I'd spent more time at working with the board."* (CFO)

> *"We could have made the process easier and less costly in advance, which I believe is the key."* (Marketing Manager)

> *"We could have had more training about what Dynamic Management is. Maybe some unrealized gains will appear if we teach our employees more about Dynamic Management."* (Supply Chain Manager)

> *"We could probably have had a little more focus on which KPIs we have and what KPIs measure etc. Perhaps we could have done something different in that area, but we're working on now then, to get a structure around it."* (Sales Manager)

It was mentioned earlier in this chapter that Dynamic Management that aims to change the mindset and actions of management and employees. The new management tool has had the following impact on the mindset of the employees at the company, according to a couple of informants:

> *I think it's a short adjustment period for many of our employees. It is clear that now connects one costs much more up to the time you spend. While previously, people were used to having their budget package, and it is clear that many were accustomed to steering it to see each month how much resources that were left. [...] I think most people have begun to get it well under the skin. But it is clear that we have something to go on, compared to the middle management level and such, but I think it's starting to settle."* (Sales Manager)

"I feel at least that we've dropped to think backward in relation to the budget. You manage to get people to think a lot more about what is happening in now and in the future, I believe that we have achieved that." (CFO)

Dynamic Management was introduced in the company last year, and it is pointed out by the informants that implementation is an ongoing process. It therefore still are aspects one is not satisfied with today and informants have the following opinions in terms of how long it takes until one is satisfied:

"I hope the fact that during the year we should have a system that we feel are good enough. However, there will still be things we continuously will want to change. We are probably nothing more than halfway in the process. We got rid of the budget, but we still do not have the right KPIs. [...] It is no magic formula that Dynamic Management will be just this or that. You develop all the time I think. You will not be finished some time; one should continuously work on it." (CFO)

"I think it takes at least a year. Maybe a little longer. It is a continuous development. You never get done all this at once. The understanding must ripen the employees and not least among the management. They [the management team] have a role in explaining to their employees what it [Dynamic Management] means. We have a way to go on with informing and getting others to understand." (CEO)

"It's a little hard to say specifically, but I think that we need to use both this year and next year maybe to get it properly up and running. It has a little context that we are doing the big LEAN process, about developing target figures and KPIs." (Sales Manager)

Of the quotes above, one can understand it so that the implementation of Dynamic Management is an ongoing process, and informants point out that there is some way to go before they are where they want. Furthermore, it has taken a position on how the new management tool will change now for the long term and informants has the following expectations for the future with Dynamic Management:

"I think, especially managers at intermediate level will feel a greater responsibility related to decision-making." (Sales Manager)

"I think it will help it with accountability, and for it to have better facts for decisions. That we are forcing leaders to not only believe in the way, but more a conscious attitude and not least better facts for what is to be decided." (CFO)

"I think that we value long-term planning in everything one does now. I am a bit philosophical now, but I think the world is going to change to demand faster adaptability than what we have today. Then long-term planning is not a good tool. You have to have that too, on a general level. One's ability to be both flexible and swift in the changes I think will be much stronger going forward." (Marketing Manager)

The majority of informants in Hennig-Olsen is happy with the new management system so far. Most interviewees agree that Dynamic Management has solved the problems the company had with the budget. It is noted that this is a tool you need to improve continuously and that they still have a ways to go before they have a management system that works the way they want. Among other things, it was pointed out that one must make decision-making authority within the organization further out, get middle managers involved, and one must get proper and correct KPIs. The introduction has not been painless, and it is expressed that there is more in the company who still wish they had budgetary constraints to steer.

4.4 Summarize of the analysis of Dynamic Management

Before Dynamic Management was introduced, Hennig-Olsen the company had a traditional management control system, namely budgets. The budget had been a fixture in the company over the last decade, at least. The system had been unwavering, and it had not been modified to any noticeable degree over the years.

After the budget had been completed in the fall, the ones who handled the budget received a sack of money which they threw over their shoulder and carried with them to their respective departments. The contents of the bag would be distributed over the next year, and there was no refill before the next budget round. If unforeseen events in terms of investments and activities took place, you have to apply for resources to the

management team. If the proposal was approved went there at the expense of other budget items, since you had to cut to make room for the investment or the activity.
The company's strategy was formulated every three years, and it was not designed a link between the strategic plan and the company's action plans. The former management tool was static, which did not go hand in hand with the changing environment. In 2014, it was finally on the traditional management system when Dynamic Management was introduced. The purpose of the new tool, or philosophy if you will, was to create a greater focus on the enterprise as a whole, by managing for the new targets set. To get the business to think more, on the whole, rather than to think about their moneybags, could lead to the consumption of company resources becomes more thoughtful. It was revealed that assessing whether investments are value-creating and useful for the business in its entirety, although silo mentality has not fully released grip yet. In terms of holistic thinking, this is an important moment in Dynamic Management. The company will work on most forward is to increase accountability and make decision-making authority extended throughout the organization.

4.5 Findings regarding the study's research questions

In the following key findings based on analysis be highlighted and discussed in terms of responses to the study four research questions, which forms the basis for answering the problem statement of the report.

This chapter has presented the informants' impressions of both the company's previous management system and the company's current management system. It was essential to focus on both how it was before with the budget process and how Dynamic Management so far has changed the company, to be able to answer the problem statement. When one compares the situation before and after the changes, one can get a picture of what has led to the need for change. Moreover, it has also been important to determine whether it was the necessity of a new strategy or the need for a new management system that was most urgent. Another interesting element was to reveal whether one or more change champions have been central in implementation, as this can help to provide insight into what lies behind the change in the company.

4.5.1 Conclusion of the first Research Question

The report first research question reads as follows*: Did Hennig-Olsen perceive the negative aspects of the budget?* The analysis presented above shows that Hennig-Olsen has experienced several of the factors that the budget has been criticized for. Firstly, it was pointed out by informants that the process was costly both in terms of time and resources. The budget process lasted about 2.5 months and many of the company's employees were involved. It was further pointed out that the budget did not distinguish the following three main objectives of the process: resource allocation, goal setting and formation of prognosis. The three purposes was a number, which was not appropriate since the three purposes contradict each other and are in conflict. Other negative aspects of the budget process was the allocation of resources was not a dynamic affair but static one. This led to that investments and activities that were not planned in the budget round, had to be applied for. The management team had to find out which other budget items one might cut in order to possibly give room for the unforeseen projects and activities.

It was further informed that the budget was irrelevant shortly after when it occurred unforeseeable events soon after the budget was finalized. Several informants experienced further that the budget process could lead to undesirable behavior among some. Examples of undesirable behavior were for instance when the staff tried to get excessive budget limits to have spacious conditions next year. Another example was the some managers attempted to set low targets related to profit to ensure that one could reach the given goal. Moreover, another important factor was that the strategy of the company was not connected to the corporate's actions. Strategy Planning was too static before, and the plan was not taken into consideration by management.

One can on the basis of the above analysis conclude that the company experienced several of the negative aspects of their budget process. The empirical findings regarding the negative aspects of the budget process is gathered in the figure below:

Criticism against budgets	**Empirical findings**
Budgets are resource intensive.	The company used a lot of resources on the budget
Budgets are not continuous enough.	The company developed the budget annually, which made the process static
Budgets are rarely linked to strategy.	The company's strategy was developed every three year and was not linked to the company's actions
Budgets do not have the right focus.	The company's budget frames became more important than value creation
Budgets are not either dynamic or reactive.	The budget process did not make the company dynamic, and resource allocation was done during the process, not continuously
Budgets create gaming and dysfunctional behavior.	There were different opinions, however, most of the informants agreed that the budget resulted in some gaming behavior
Budgets do not make people feel appreciated.	The informants did not state that the budget process weaken the trust within the organization.
Budgets strengthen vertical command-and-control.	The informants do not agree upon how centralized and how transparent the organization should be in terms of what is optimal. The structure was more centralized before.
Budgets are based on unsupported assumptions and guesswork	The budget was based on the last year's budget, plus / minus. The company often missed.
Budgets reinforce departmental barriers rather than encourage knowledge sharing	The informant's states that the employees of the different departments focused more on the department where they belonged.

Figure 11: Empirical findings regarding criticism against budgets

4.5.2 Conclusion of the second research question

The report next research question is: *what changes has the implementation of the Dynamic Management so far entailed?* The company has chosen to call their version of the Beyond Budgeting Approach for Dynamic Management. The new management tool had been part of the enterprise in excess of a year when the interviews took place. It is noted by the informants that the implementation of Dynamic Management is a work in progress. One of the informants pointed out that one is never finished with the process, that it is a tool and a philosophy that you have to work with continuously. Although Dynamic Management have not been part of the now long, the new management tool resulted in significant changes and in the following the changes will be presented.

Decision-making authority and framework

Firstly the framework and the decision-making authority in the enterprise were changed. Before it was the budget that set the framework for the consumption of firm's resources and the structure was centralized. One could in principle consume as much as one would like to, given that it was within the budget frame. The company is now working on decentralizing the decision-making authority and thus increase the sense of responsibility among employees. In other words, the management team attempts to raise empowerment among the employees. Some informants do not agree with that decision-making authority needs to become more decentralized; nevertheless, the majority of the interviewees agree that it must be done to get an optimal decision making. In conjunction with Dynamic Management, the management team have prepared an authority matrix, which is used to illuminate who can decide what. If one wishes to carry out an activity outside one's authority, it must be applied for to the management team. It must also be noted that the company has chosen to keep the frames in the marketing department, as they find it difficult to manage this department without frames.

Focus and trust

Informants have noted that Dynamic Management has led to less silo mentality among the company's employees. The focus is now more on what serves the whole enterprise, whereas employees focused more on their department or sales region before. It further pointed out by informants that the organization still has to work on the focus, because it still exists silo mentality among employees. Furthermore, the interviewees tell that there existed good trust between management and employees during the budget period, and that has not changed appreciably after the introduction of Dynamic Management. Several informants still think that one can gain increased trust and gain increased responsibility mentality if one increases the autonomy in the company. Regarding the management of the business's resources without the budgetary constraints, the management team attempts to guide their employees through principles and values.

Strategy and target setting

In terms of strategy and goal setting, this is the factors that have been most radically changed with the introduction of Dynamic Management. Strategy planning was conducted every three years before and was not updated until it was time to make a new plan again. The management did not consider the strategy planning before. Moreover, during the budget period, the company only had a few goals related to income, sales and turnover. It was not added concrete action plans for how to achieve the goals either. The strategic plan still stretches over three years, what has changed, is the fact that the plan is updated continuously. In addition, there is a link between the objectives described in the strategy plan and the company's action plans. The strategic plan is now taking into account by the management team, and the plan is more visible in the enterprise as well. Employees are now aware of what the main goal of the company is, in addition, the employees are aware of the specific objectives that belong to their department. To verify that the firm is on the right track, they measure the progress with key performance indicators. It noted by the informants that the current set of KPIs is not good enough, the company is therefore working on implementing a new set of KPIs that are more appropriate. The company had KPIs before; nevertheless, these were not greatly taken into account, and the previous KPIs were nor assigned to departments.

Resource allocation

With the traditional management tool, resources were allocated in connection with the budget, and the management team set cost ceiling for next year's investments and activities. After the implementation of the new management tool resource allocation has become dynamic and flexible, where one continually determines whether a project or an investment to be implemented. If it concerns an activity which is not of significant size in relation to cost, it is not necessary that management considers whether it should be implemented. It is noted by an informant that the process of resource allocation should not be too complicated, as it can prevent spontaneity. The majority of the informants agree that the new form of resource allocation is more appropriate and that they have become better at evaluating the investments and activities that are worth implementing.

Planning

The company's planning process consisted of preparing a budget prior to Dynamic Management came into the picture and the completed budget combined the following three purposes; future targets, forecasting and resource allocation. With Dynamic Management the three mentioned purposes above have become three separate processes instead of one. The separation of the processes has led to the no longer conflicting. A substantial change in conjunction with Dynamic Management, is that we now estimate future events regardless of the enterprise goal. Man is now using rolling forecasts, above budget. Rolling forecasts are usually decided on a quarterly basis, and that action is taken if changes occur in relation to the company premises.

Reporting and monitoring

Before the management team controlled and supervised the company with the budget. If it were used more or less money than expected, they who handled the budget were asked to explain discrepancies. The monitoring process was marked by discrepancies explanation. Now, the company focuses more on turning their attention ahead and take action when negative trends occur. In terms of transparency in the organization, the informants note that it is not transparent enough. Furthermore, it has been introduced a new and more user-friendly information system, which also acts as a reporting system on an equal footing with the traditional information system. Some respondents felt that information sharing is good enough, but the majority points out that the company can benefit from improving the internal information sharing.

Summary

The company has in other words been through significant changes as a consequence of the implementation Dynamic Management and has come a long way towards a more dynamic way to manage their organization. This summer the management team will introduce LEAN, resulting in further improvements to operations. The LEAN-project will focus on streamlining processes and add new and more appropriate KPIs. In addition, QlikView will be improved and contain information regarding LEAN. There are still elements of the business that remains dominated by the former management tool, which the management team is aware of, and they will strive to improve these features by time. The preliminary changes are summarized in the figure below::

	The budget process	**Dynamic Management**
Decision-making authority and framework	▪ Centralized structure ▪ Budget frames	▪ More decentralized structure, increased empowerment among employees ▪ Marketing still has a budget frame.
Focus and trust	▪ Department-focused ▪ Good trust between management and the employees	▪ More holistic focus ▪ Increasing trust by empowering employees
Strategy and target-setting	▪ Static, developed every three year. ▪ Few targets ▪ Not aligned with the company's actions	▪ Planned three years ahead, updated continuously. ▪ Targets aligned with the company's action ▪ New set of KPIs
Resource allocation	▪ Annually and static. ▪ Coincided with the budgeting process. ▪ "Do I have the budget for it?"	▪ Continuously and dynamic. ▪ "Is this investment necessary and value-creating?"
Planning	▪ Annually. ▪ Target-setting, forecasting and allocating resources became one number	▪ Rolling forecasts, updated when needed.
Reporting and monitoring	▪ Monthly financial reports. ▪ Explaining deviations. ▪ Traditional information system. ▪ Lack of transparency	▪ Monthly Financial reports ▪ User-friendly information system ▪ Still lack of transparency

Figure 12: Preliminary changes in connection with the implementation of the Dynamic Management

4.5.3 Conclusion of the third research question

The third research question is; *was it the need for a new strategy that was most urgent for the company or was it the need for a new management system more pressing?*
In the analysis, it is noted that the strategy the enterprise had before was not satisfactory and not important in terms of the actions of the company. It was further pointed out that the company had to change tactics as it was not appropriate for the company to be in attack position any longer, due to their increased market share. It was informed that the new strategic plan was carried out in 2013 and that it was important for the company that the new plan was in place before the implementation of Dynamic Management:

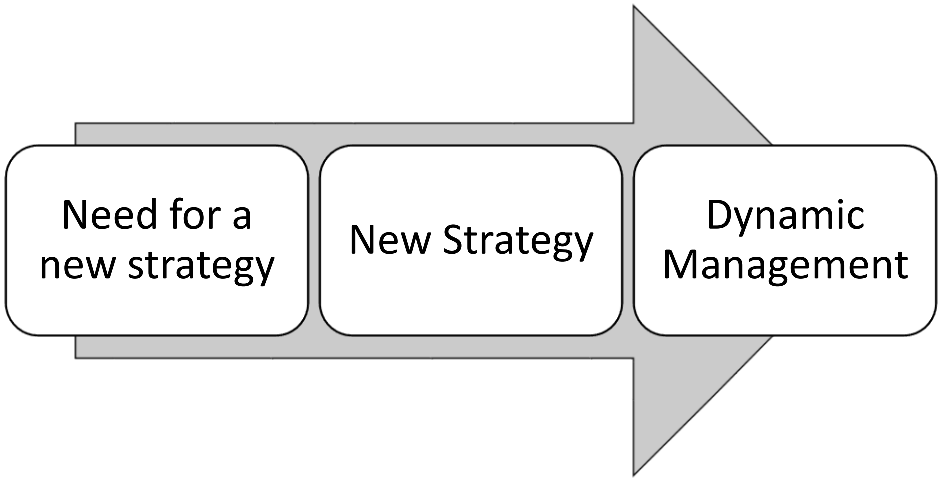

Figure 13: The order of implementing respectively the strategy plan and Dynamic Management

Based on the analysis presented earlier, it can be concluded that the need for a new strategy was more urgent for the company than a new management system. In the analysis, it was discovered that a new strategy plan had to be in place before the management team could implement a new management system.

Moreover, it must be highlighted that there was a need for a new control system as well and that a new management system had to be implemented in order to realize the new strategic plan. It was namely a need to connect the corporate's actions to the corporate's actions, and this would be achieved by adopting a management system that focused on that. Having that said it is important to note that the management team had prepared to implement Dynamic Management since 2012. In other words, the company did not detect Dynamic Management due to the change in their strategy plan. The company's

CFO discovered the new management control system, and it was the firm's intention to implement the new management system after the introduction of the new strategic plan. The company found it appropriate to facilitate the new strategy plan, before implementing Dynamic Management. It was important to have the strategic plan established first, to underpin the new management system. Based on these findings, one can conclude that there was a need for both a new strategy and a new management system, but the need for a new strategy was most precarious.

4.4.4 Conclusion of the fourth research question

The fourth and last research question reads; *who were the potential change champion (s) in connection with the implementation of the Dynamic Management?* A change champion is an important part of a successful change within a company. Based on how a change leader is defined and what was revealed by the analysis, there is a change leader in connection with the implementation of Dynamic Management. It was discovered in the interviews that corporate's CFO was very central in conjunction with Dynamic Steering and has served as change champion. The CFO presented Dynamic Management for the company and served as a change champion by motivating central figures in the business to change the traditional management system Dynamic Management. As it was mentioned in theory in Chapter 2, a change champion often a person in a higher position that has recently come into the business. This was the case in this case study, where the company employed the CFO in 2010.

Hennig-Olsen change champion had a positive influence related to the change of the company's strategy as well. The CFO recognized that the strategy had to be changed before implementing Dynamic Management. The CFO presented to the management team how the strategy should be translated from ambition to action. In other words, the CFO functioned as a change champion both for the company's strategy and for the management control system. The strategy was changed before the Implementation of Dynamic Management, to facilitate the new management system. It was initially expected that a potential change champion in the company would have an impact on the company's management system. However, the analysis has shown that the CFO had a positive influence on both the company's strategy and the company's management control system. The original figure presented in chapter two must be modified to adapt the findings of the analysis:

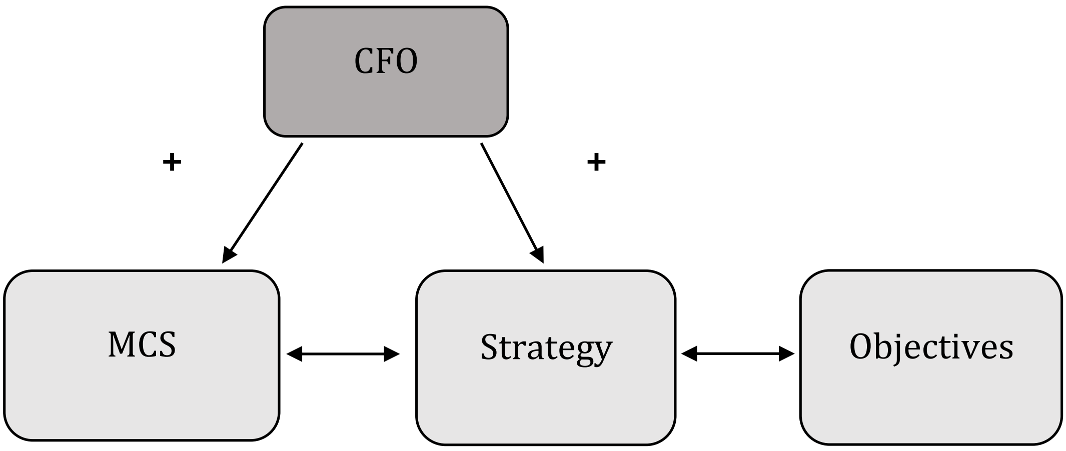

Figure 14: How the change champion affected the company's MCS and Strategy

It must be noted that the figure above only shows what the corporate's change champion has influenced, not the sequence of events. The order of the changes was shown earlier, in the answer to research question number three (cf. Figure 9).

4.6 Why did the company change the management control system?

In the analysis of the study's four research questions it was revealed the company had experienced the negative aspects of the budget process. Furthermore, it was shown what changes the implementation of Dynamic Management so far has resulted in the company and the current model of Dynamic Management was compared to the previous control system. This was done to get an overview how what Dynamic Management had changed and which elements that had not changed. Moreover, it was revealed that the need for a new strategy was more urgent than a need for a new management control system. There was also a need for a new management system, however, this need was less was less precarious. Finally, it was discovered that there was an existence of a Change Champion in connection with the implementation of Dynamic Management, who had a positive influence on both the company's strategy and the company's management system. Based on the above conclusions, the report will in the following answer the problem statement: *Why did Hennig-Olsen change their management system?*

A need for change

For this study it was important to focus on how the conditions were in the company before they choose to implement the new management system, in order to gain insight into why Hennig-Olsen wanted to change their way of managing the business. According to Ekholm and Wallin (2000); Neely et al. (2003) it is the disadvantages associated with the budget process that leads companies to change their management system. In the analysis, it was discovered that the company experienced many of the negative aspects that the budget has been criticized for (cf. Figure 12). Hennig-Olsen experienced prior to the implementation of the Dynamic Management that it could be appropriate to make a change in their financial system because the traditional management system was not perceived as satisfactorily. In relation to what caused the change from budget to Dynamic Management, the disadvantages the company experienced had a significant impact. Several informants noted that the budget process was outdated and that it was not appropriate for the company any longer. Several of the interviewees believed that the budget led to the wrong focus regarding the consumption of the corporate's resources. Moreover, the majority of the informants agreed that the process added little value to the company. Informants felt that the finalized budget quickly became irrelevant and that the time they spent on deviations explanations did not add value. These were important reasons as to why Hennig-Olsen saw a need to change their management system.

Another important reason was that the strategy planning was not complete before; the strategy was not linked to the corporate's activities. The traditional management system was too static, in terms of planning, resource allocation, strategy formulation, target-setting and forecasting. It must also be noted that Hennig-Olsen had not experienced red numbers in recent years. This shows that the motivation to change the company's management was not due to poor results. An important motivation for implementing Dynamic Management was that the company could reach the goals they set themselves with the new strategic plan by removing budget and introducing a more dynamic management. As mentioned earlier, the informants could confirm that the need for a new strategy was strong. The company had reached a point where they were approaching fifty percent market share, and it was therefore time to change strategy from an offensive position to a defensive position. Furthermore, strategy planning was too static before, and the management did not pay attention to the plan either. The company developed a new strategy plan every three years, and it was not changed until it was time to form a new plan. As concluded in the third research question, the need for a new strategy was more precarious than the necessity of a new management system. There was a need for a new management system as well, but this need was less visible. As mentioned in the theoretical part, when an organization seeks to change its strategy, changes in the management system must also occur (Kloot, 1997), as the processes influence each other and are dependent of each other (cf. figure 5) This was also the case at Hennig-Olsen, where one had to change corporate strategy as well as the management system.. Furthermore, according to Merchant and Stede (2012a) companies change their management control system, when the current system is no longer optimal. Hennig-Olsen recognized that their current management system was not of optimal design and changed the system to make it more suitable It must be noted that the change did not take place until one person remarked that it was time for a change.

A change champion enters the stage

As noted in the theory chapter, the existence of an innovative management system do not necessarily make a company adopt it, although their current management system is not appropriate. The fact that a company's management system do not work well do not mean that it will lead to a change. Hennig-Olsen had recognized that they needed a change for a long time. However, the management tool remain unchanged until last year.

Organizations often change because it is necessary and for many other reasons, but the main driving force behind a change in an organization often proves to be a newly hired manager with a key position (Kotter, 1998). A change leader often has a position of middle management or higher in the organization. A change leader often comes in with a new and fresh perspective of the organization and see that the current situation is not sustainable (Ibid). The finance department very involved in connection with the implementation of Dynamic Management. Especially one member of the finance department was central regarding the change of the management tool, namely the corporation's CFO. In 2010, Hennig-Olsen searched for a new CFO. The new CFO discovered that there was an urgent need for a change of strategy and also discovered that there was a need for a new management system. The process of change began when Chief Operating Officer presented prepared discussions with company's management team and introduced them to the management tool named Dynamic Management. The CFO had experience of Beyond Budgeting from previous work experience, where the Chief Operating Officer had attended a course about Beyond Budgeting held by Bjarte Bogsnes. The idea of a Beyond Budgeting approach was first met with resistance and hesitation; however, the new CFO managed to convince that Dynamic Management was the answer and the corporate's future management system. The CFO also presented how strategy should be translated from aspirations to actions, and how Dynamic Management would underpin the company's new strategy.

Based on the findings of the analysis and the basis of the theoretical framework, the CFO to Hennig-Olsen has served as a change champion in connection with the change of management tool. A change champion is, as mentioned in the theory section, a person who motivates the rest of the team or the firm to make a strategic change (Chrusciel, 2008). Furthermore, change leaders seek to learn (Kotter, 1998) and wants the company they are part of to do well in the long run (Chrusciel, 2008). As described in the theoretical implication in the second chapter, it was assumed that a change champion would have a positive impact on Hennig-Olsen's management system. A change champion has indeed had a positive impact on the management tool to Hennig-Olsen, as it was the company's CFO who introduced the new and dynamic management tool. Furthermore, the answer to research questions number four showed that the company's CFO had a positive influence on the company's strategy. The CFO presented both how they would change the strategy and how the management system should be changed, and served as a change champion in both areas (Cf. Figure 14). It must be noted that the company's CFO organized both changes in collaboration with the management team.

Based on the aforementioned findings, one can confirm that a change champion has had a positive impact on the management tool to Hennig-Olsen. Furthermore, one can conclude that the negative aspects the company experienced regarding the budget process had a positive influence as well. Another important factor, was the need for a new strategy. One can conclude that a need for a new strategy was one of the key reasons as to why the company changed their management system. The new dynamic management system would better underpin the company's strategy, therefore there was a need for an appropriate management system that would underpin the strategy as well. It was expected that the negative aspects of the budget, a changeover champion and a need for a new management system would be the most substantial impacts on why the company changed their management control system. It was not expected that the necessity of a new strategy was of such precarious character, but rather that the need for a new management system was the strongest. Based on these findings of what influenced the change of the corporate's control system, Figure 9 presented in the theoretical part have been modified to the following:

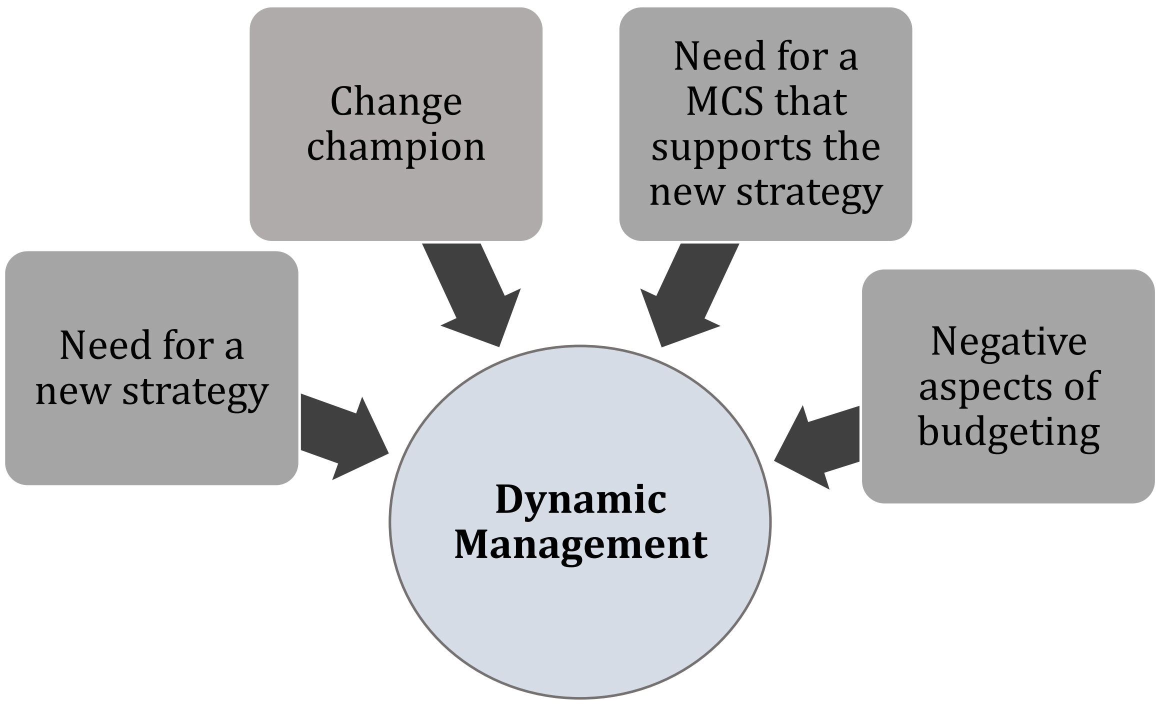

Figure 15: Impacts that led to the implementation of Dynamic Management

Based on the findings in the analysis, the theoretical framework (cf. Figure 10) presented in the theory, must be changed. The figure showed that the following factors had a positive impact on the change of Hennig-Olsen's management control system: Change champion, negative aspects of budgeting and a need for an appropriate management control systems. In the analysis of the case, it was revealed that the need for a new strategy was urgent and this need influenced the change of the company's management tool. The following figure have been created based on the theoretical expectations and the empirical findings:

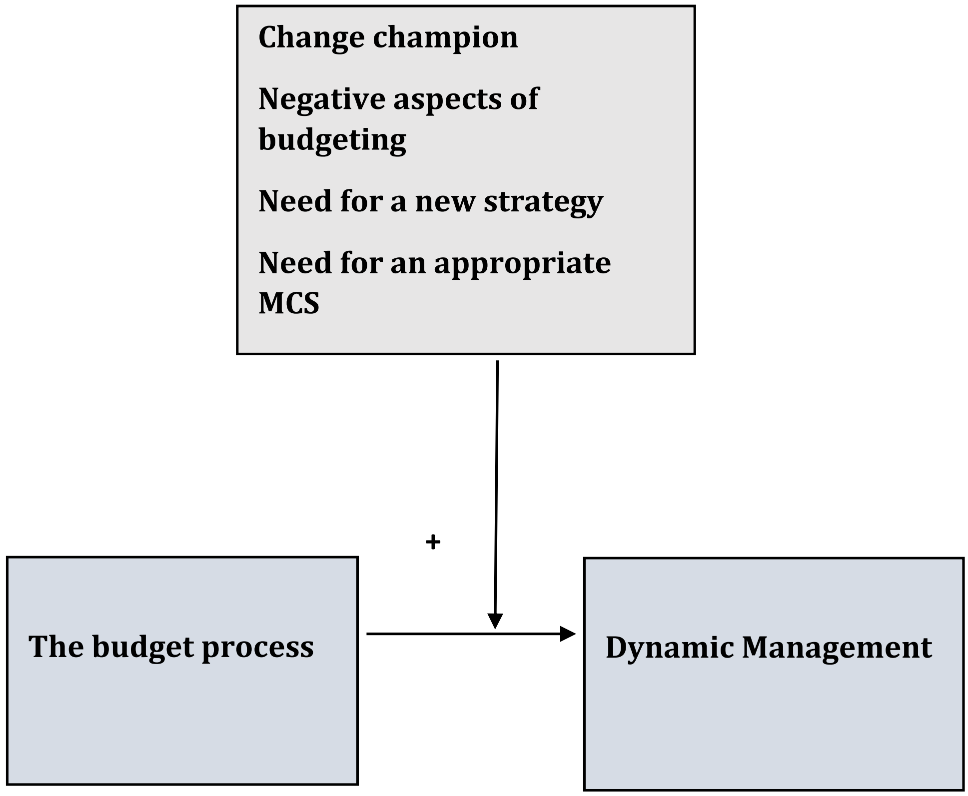

Figure 16: Impacts that led to the change from a budget process to Dynamic Management, based on theortical expetations and empirical findings.

It can be concluded that these factors; change champion, need for an appropriate management system, need for a new strategy and the negative aspects where the most important reason as to why Hennig-Olsen changed their management control system.

It must further be noted that the negative aspects of the budget process had existed in the company for several years, and that the need for a new and more optimal management were present long before the change took place. The need for a new strategy was not either new to the business. It was only when the Chief Operating Officer became a part of the company that the need for a new control system and the need for a new strategy were properly discussed in the management team. The need had existed before Chief Operating Officer came into the business, but there were not made any concrete actions to change this. This confirms what Kotter (1998) points out, the fact that a change in an organization often does not occur until a new person in a key position enters the business with a new perspective. Several informants pointed out precisely this that it was not until the new CFO was appointed that the changes came into effect. The CFO, the change champion, recognized that the strategy had to be more in the center and become more dynamic. Therefore, it was necessary to implement a more proactive management that could substantiate this claim. One can consequently conclude that the change champion has had one of the most significant impacts related to the change of Hennig-Olsen's management control system. One can only speculate whether the change had taken place if the CFO had not become a part of the organization. It is noted by informants that the change probably would not have occurred without the change champion.

Part V: Conclusion

"The evidence of change is everywhere. We are almost overwhelmed with uncertainty. The only thing that has become more certain is that our predictions about what lies ahead most likely are wrong"

(Bogsnes, 2009, p. 4)

5.0 Outline

In this chapter the conclusion of the report will be presented by answering the problem statement, and suggestions for further research will be presented as well.

5.1 Summary and conclusion

This report has examined the phenomenon Dynamic Management. The report has studied Hennig-Olsen's implementation of Dynamic Management. Hennig-Olsen is a medium-sized company that produces ice cream, and the company is close to having a fifty percent market share in Norway. The company introduced the Dynamic Management in 2014, and the implementation of the new tool is a work in progress. Hennig-Olsen is now in the middle of the process of trying to create a more dynamic and efficient management tool. In the report the various areas of the company were examined, in order to get an overall insight into how the organization was governed before, what has changed with Dynamic Management and last but not least, what led to the change. On the basis of this study, it will be indicated what caused the Hennig-Olsen to change their management control system. The report can thus help to provide insight into what causes an organization to change its management system.

The problem statement for the thesis was the following: *Why did Hennig-Olsen change their management control system?* To enlighten and be able to answer the problem statement, four different research question have been reviewed in the previous chapter. Based on the report's data it is concluded that Hennig-Olsen changed their management due to four main reasons, where one of the reasons was particularly decisive in relation to the change. The first reason is that the company experienced many of the negative aspects that the budget has been criticized for (cf. Figure 12). This is in line with what Ekholm and Wallin (2000) and Neely et al. (2003) believes is the explanation for why companies choose to reject their budget. The next reason as to why Hennig-Olsen changed their management control system was that the company need a new appropriate management control system as the previous did not work optimally. The informants had long recognized the need to abolish the traditional management tool, as it was no longer an appropriate process the company. Among other things, it was pointed out that the process was too static and that the disadvantages exceeded the advantages. Dissatisfaction with the budget process led to several informants were open for a change when they saw that the budget was not optimal and that therefore it could be advantageous to use new tools. This is in line with what Merchant and Stede (2012a) believes is the reason why firms change their management system. The authors believe that when the current management system has outlived its usefulness, companies search for a more optimal tool.

Moreover, was the next main reason behind the change of management, was the precarious need for a new strategy. This factor was revealed by the empiricism and was therefore not taken into account in the theoretical framework presented in the theoretical part. Strategy planning of the enterprise was a static affair before, since the management team only took into account when designing the plan every three years. It was thus not only the fact that the strategy was not linked to the action plans of the company that was the problem, but also the fact that the strategy and its contents were inconspicuous in the company. Moreover, the company had to change its strategic position from attack to defense. The company is slowly but surely moving towards 50 percent market share in Norway and they can therefore no longer be in attack. There was thus a need to change the strategy in the form design, construction and in terms of position.

The last main reason why Hennig-Olsen decided to change their management system was that a newly hired change champion took control and initiated a change in the enterprise. This is in line with what Kotter (1998) states in relation to the driving force behind an organization change, namely a new employee manager in a key position. The change of the management control system could not have been carried out if the company's CFO had not convinced the management team that Dynamic Management was appropriate for Hennig-Olsen. The fact that the company recognized the negative aspects of the budget process and the fact that the company acknowledged that it could be beneficial to change utilities, was presumably decisive factors as to why the management team became convinced that a new control system had to be introduced. It must be noted that the CFO did not come into the business with a vision to change the management system from day one. Motivation to change the corporate's management system arose over time as the CFO discovered the negative aspects of the corporate's budget process. It was especially the fact that the company's strategic plan was neither appropriate performed or followed-up, that created motivation for corporate's CFO to reject the budget. The positive impact the CFO had on the change related to the management control system was particularly decisive.

To summarize, this thesis's main conclusion is that Hennig-Olsen changed their management control system because of the following reasons (cf. Figure 16):

- *The company experienced the negatives aspects of the budget process.*
- *There was a need for an appropriate management control system.*
- *There was a need for a new strategy.*
- *A change champion enlighten the management team that there was a need for change and a new strategy plan and Dynamic Management was the answer.*

This thesis concludes further that the most influential reason regarding the change of the company's management control system, was the positive impact provided by the company's change champion.

5.2 Suggestions for further research

This thesis have investigated why Hennig-Olsen changed their management control system. The case study is based on a few number of informants from different units within a company. To get a better understanding of why a company chooses to implement Dynamic Management and innovative management systems in general, it may be interesting to examine whether multiple devices and multiple informants, as well as to compare between several companies in the same or across industries. This might have given deeper insight both why companies choose to implement a dynamic management tool and what activates changes.

Moreover, it would be interesting investigate whether there exist several instances where an internal or external change champion has had a positive impact on a company's management system. Furthermore, it could be interesting to uncover other reasons why companies choose to implement an innovative management system, and one could sought for similarities and differences in comparison to what was the decisive factors, by studying multiple cases.

It would be interesting to conduct a case study of the business in a few years to see how Dynamic Management has changed the company over time and look at what has changed compared to the current situation. When the interviews were conducted, the new management control system had only been a part of the enterprise in excess of a year. Furthermore, the study Dynamic Management of the enterprise at a later date could give a better idea of what characterizes the corporate's version of the tool

Furthermore, it emerged from the interviews that the company needed to work on several factors related to their new management control system, before they got a tool they were happy with. For instance decentralizing decision-making, enhance information sharing and improve KPIs. One could, therefore, conducted a study in which it was investigated whether these factors have been improved.

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Appendix

INTERVIEWGUIDE

THEME 1: General information about the interviewee

- Interviewee's role and mission in Hennig Olsen.
- How long experience in business

THEME 2: The budget process

- How was the budget in relation to time and money?
- In your opinion, what were the biggest challenges of having a budget?
- How was management tool before the organization? (in relation to planning, goal setting, forecasting)
- How to did you set goals?
- What was your focus / main goal, prior to the implementation of BB, and has this changed?
- How long were the horizon of the plans before?
- How involved was "front-line" -Staff in the planning process?
- How was control exercised?
- How were they rewarded employees? (fixed performance contract)
- How was the structure of the organization?
- How was resources allocated?
- Did you experience unwanted behavior?
- Did the budget lead to department-focus thinking?
- Were there any positive aspects of the budgeting process?
- Was the strategy in focus?
- How was the strategy plan prepared?

THEME 3: Environment and competition

- Do you feel that the organization's environment is predictable or unpredictable?
- How would you describe competition in the ice cream industry in Norway?
- Could Beyond Budgeting be beneficial in terms of competitive advantage?

THEME 4: Beyond Budgeting

- How would you describe Hennig-Olsen's version of Beyond budgeting?
- Is Beyond Budgeting linked to the information system?
- How transparent is the organization?
- How is the structure of the organization now?
- It there more or less collaboration across departments?
- How independent and solution-oriented will you say that the staff in the organization?
- How do you communicate the values of the business and how are they maintained?
- Is Beyond Budgeting in the evaluation of the employees?
- Is the management tool equal throughout the entire organization, or is it adapted differently to the various departments?
- How do you measure performance, both in terms of the business as a whole and individually?
- How do you exert control in the organization now? (relative indicators, trends)
- To what extent do you compare your results with competitors?
- Has the organization chosen to keep the budget along with Beyond Budgeting?
- How are resources allocated?
- Do you prepare rolling forecasts?

THEME 5: The implementation

- How would you describe this process, about how Hennig Olsen went from having the budget, to implement BB?
- Was it used additional resources to change management and additional monitoring of employees to ensure that employees understand the importance of management tools and how management tool would affect their everyday lives?
- How have employees reacted to the implementation?
- Do the employees have greater responsibility and if so, in what way?
- To what extent motivates the new management tool management and other employees?
- What challenges have you faced in relation to the implementation?

THEME 6: Experiences

- If the budget was retained along with Beyond Budgeting, how does this work?
- If no, why was it decided to disregarded the budget?
- In your opinion, what are the strengths of your version of Beyond budgeting?
- What are the weaknesses?
- It is still early in the process of implementation, but is the new management tool working as expected so far?
- Did Beyond Budgeting have any unforeseen positive effects / negative effects?
- What is unique about your version of Beyond Budgeting?
- Have you made other changes in relation to the implementation?
- What triggered these changes?
- How would you describe the trust between management and other employees?
- In your opinion, has the Beyond Budgeting (dynamic management) boosted or weakened trust?
- In your opinion, do Beyond Budgeting suit all, or is this a management tool reserved for certain industries?
- Would you say that it is a competitive advantage to have dynamic management, if so, in what way?
- Has the implementation of Beyond budgeting given increased room for innovation and creativity?
- Did Beyond Budgeting changed your responsibilities and your outlook on your job, if so, in what way?
- Regarding the implementation, is there something Hennig Olsen could have done differently?
- In your opinion, why do you think that most companies still have budget?

THEME 7: Future prospects

- How will the development of Beyond Budgeting proceed?
- What do you need to change and improve?
- What are the company's long-term goals?
- How do you think BB will change the company in the long run?
- Will BB be part of the HO in 15 years?
- What advice would you give to a company who are considering implementing Beyond Budgeting?