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A top-down implementation of a dynamic management control system
– As easy as it seemed?

"A case study of Sparebank1 Nord Norge"

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Abstract

The thesis is about how the implementation of the new management structure and leadership philosophy is communicated throughout the organization and how it is received at the local level, formulating the following problem statement: *"How is the idea associated with dynamic MC, emphasized at the level of headquarter, implemented at the local level?"* – A case study of Sparebank1 Nord-Norge.

In 2007, Sparebank1 alliance began a process of implementing a new management model called "dynamisk styring" in Norwegian, meaning "dynamic management control". In 2008, they started on the work to actual implementing it at the level of alliance, while in 2012 the new incoming director in Sparebank1 Northern Norway introduced a new management philosophy with clear similarities to the alliance's control system. With increasing competition in the market, related to technological solutions in terms of products and services, in addition to innovation, the budget was too much about micromanagement and was not encouraging to motivation and action. By introducing a management philosophy better suited to the current market, the employees got more responsibility and the budget was replaced by rolling forecasts and benchmarking. Sparebank1 could now make quarterly assessments on the profitability and allocate funds to projects as needed. Another thing that comes with the new management model was a better communication between headquarters and regional levels.

Empirical findings based on informants' answers show that the distance between the top and bottom has become shorter. Employees feel that they are better heard, that they have more responsibility, working within a framework making themselves able to decide how the tasks are to be performed, and that the decision authority is more decentralized. It seems that being able to have an impact on the decisions of the management matters more than that complexity of delegated tasks has had a slight increase. On the other hand, it is a clear mismatch between top and bottom level and it seems that the communication and travel of the new management control idea have some issues. It seems to be misunderstood at local level, due to the lack of communication and that the superior visions (simple, clear and consistent) of the EVP is not thoroughly communicated from top to bottom.

Although employees have not felt much of to the implementation of "dynamisk styring", they feel that the new management philosophy of Sparebanken1 Northern Norway have clear

similarities to the new model, and that it follows the same reasoning. The informants explained that it is in how planning- and performance-targets are set that they can feel the biggest difference. It is moreover the role of a person and an individual driven process, more than a management control package.

Summed up, the implementation of a dynamic management control system have had implications and there are still room for better communication between levels, but going dynamic have also been crucial for Sparebank1 Nord-Norge to be able to adapt to changing circumstances, innovative competitors and fluctuating markets. Going from being a budget-driven organization to an organization relying on relative targets and more empowerment on local level seems to have been more demanding than first assumed.

Forord

I et marked, stadig mer preget av konkurranse, både i forhold til produkter og tjenester og utlån og innskuddsbetingelser, så Sparebank1 det nødvendig å endre deres styringsmodell til en modell bedre tilpasset dagens utfordringer og behov. Denne styringsmodellen har til hensikt å bidra til innovasjon og motivasjon, gjennom at de ansatte har fått mer ansvar, og blitt tildelt rammer å jobbe innenfor. Dette i motsetning til den gamle styringsmodellen, hvor de ansatte ble mye mer detaljstyrt. Det er viktig å presisere at informantene i denne studien har lagt stor vekt på at det som blir nevnt ikke er ment som en kritikk til den tidligere EVP (før 2012), da markedet oppførte seg annerledes da og måten banken ble styrt på funket til den tiden.

Etter å ha studert økonomi og administrative fag i fem år, føler vi at vi har opparbeidet oss stor bredde og dybde-kunnskap innenfor økonomi, så vel som organisasjonsfag, ledelse og strategi. Dette er kunnskap vi føler at vi har kunne anvendt i oppgaven, i tillegg til at vi gjennom arbeidet med oppgaven har kunnet bygge videre på denne kunnskapen. Vi har med dette kunnet få en mer praktisk tilnærming til teorier.

Denne masteroppgaven i økonomistyring er en avslutning på 2 års masterstudier ved Handelshøgskolen i Bodø. Vi har gjennom disse årene kunnet bygge på den kunnskap vi har tilegnet oss etter tre år med studier på bachelornivå, med mer dybdekunnskap gjennom spesialiseringen innen økonomistyring. I tillegg til kollokviegrupper, hvor vi har kunnet diskutere modeller og få nye inputs på teori, er dette noe som har vært veldig lærerikt, og som har gjort læringsprosessen mer effektiv.

Vi vil takke informantene for deres villighet til å stille opp og dele intern informasjon, kunnskap, meninger og refleksjoner knyttet til den gamle styringsfilosofien, innføringen av den nye og erfaringer. Uten deres åpenhet hadde ikke oppgaven blitt like god, og i verste fall ikke en realitet.

Vi vil takke vår veileder, Andrei Mineev som gjennom hele prosessen, helt fra vi begynte med prosjektoppgaven i fjor høst, har vært til stor hjelp og alltid imøtekommende og behjelpelig med å finne relevante artikler og komme med gode tilbakemeldinger.

15.05.16

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Acronyms

SNN	**Sparebank1 Northern-Norway**
MC	Management control
MCS	Management control system
HQ	Headquarter
EVP	Executive vice president
BCS	Balanced Scorecard
EVA	Economic Value Added
CT	Contingency theory
SI	Scandinavian Institutional theory
IT	Institutional theory
E.G.	For example
BB	Beyond budgeting
MAI	Management accounting innovations
CFO	Chief financial officer
BM	Bank Manager
DM	Department Manager
DNB	The Norwegian bank
PM	Private market ***used only in table 5***
BM	Business market *used only in table 5*
KPI	Key performance Indicators
ROE	Return on equity

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1. Introduction

1.1 Background

Because of both our interest in management control (MC), having management control as our profile in bachelor and major on the master level, and an evolving interest for companies and their management control systems (MCS), it fell natural for us to write something about how a company does its management control due to a changing environment. This enables us to use what we have learned about management control systems and put it into context. In a further extent, also being aware of that management control is an important subject which companies are dependent on. In that extent, you could also say that there is a motivation in it by seeing job opportunities. By looking at a company`s management control system, and how it is emphasized on local level, we also get to use theories that are known for us, learned throughout the courses here at the Bodø graduate school of business.

After going back and forth for some time to find out how to do our research design, we found out that it could be interesting to look at Sparebank1 of Northern Norway (SNN) as a case study to make research on how they adapt their management control systems to a dynamic environment, as to look at MC and organizational dynamism. In a presentation in finance forum 2013, Sparebank1 alliance explained that the purpose for why they wanted to make changes to their MCS was due to that the assumptions in the budget was outdating in an increasingly faster pace. The changed assumptions through the year did that the budget was a bad measure for results and proper use of resource allocation, and that they never managed to hit their budget targets. They was also eager to have a new mentality within the organization, concerned resource allocation, other than what the budget predicated, in the way of that as long it is within the budget, it is okay. They wanted a more thoroughly thought through decision-making. A study of the implementation process could than make a contribution to the degree that the environment are more uncertain and complex, and with this regard, more companies could benefit from implementing a new MCS model. In this extent, we are going to study the process SNN is in, and how this change is communicated and implemented downwards to the two sub units Hålogaland and Salten and how they report back to head quarter. In addition to what we now have explained, we know for a fact that SNN got a new EVP in 2011. Based on this event, we wanted to look at how the new leadership philosophies were implemented down on local level. All in all, we want to study two phenomenon in our

thesis; one is whether a new management control tool implemented in the alliance has any implications on local or regional level. The second one is to see to what extent the new leader structure is implemented all the way down to the local level, and how it is being applied. This could add knowledge about how management control in the alliance is being implemented and integrated throughout the sub units as well as employee behaviour regarding the new leader philosophy.

There is an increasingly need to adapt the management control system to dynamics in the environment. As pointed out in the introduction, the environment is becoming more complex. This increases the need to adapt. We found it interesting to look at the interlink issue of going from budgets to a more dynamic MCS and how this is implemented down on local level. With this in mind, we will present our problem statement in the next part chapter.

1.2 Problem statement

We want to answer the following question:
"How is the idea associated with dynamic MC, emphasized at the level of headquarter, implemented at the local level?"

Based on the choice of theoretical framework we have outlined three research questions to help us answer our problem statement.

RQ1: How is design characteristics submitted by the headquarter?

RQ2: What are the design characteristics of the new MC tools, seen from the local level?

RQ3: How are those tools involved in communication within the headquarter and local level?

Dynamic environment is here defined as a business environment which cannot be captured with budgets. Management control systems can be defined as a control mechanism that controls behaviour and variants of informal characteristics that are built on trust.

Looking at a firm and its management control system and the impact it have on the whole

organization, it is important to be aware of that when it is in place, there is no equilibrium, but it is always in transition (Mouritsen J, 2005). Therefore, a proper design and being able to changeability of the MCS is important. The environment are also having increasing demands to the organizations and to deal with these challenges, the organizations needs to be more dynamic, mobilizing their management control systems. To see how an organization that is dealing with a dynamic environment adapts to such environment, we want to look at Sparebank1 as a case study to see how their management control system are implemented down on local level. This we want to answer by using relevant theory, adding empirical results. It would also be interesting to see if we can detect possible improvements in the causalities of the management control system.

The thesis is limited down to a regional level, looking at SNN. This enables us to go more in depth to their management control system and to our problem statement. SNN is one of the owners of Sparebank1 group. We are then narrowing it down by looking at SNN and the sub units Hålogaland and Salten as entities and sources for analysis.

We know that there is an ongoing process in Sparebank1, implementing Beyond Budgeting and a process of becoming more dynamic. We will than look at their experiences so far, and how they are still improving. The research will conduct from information brought by informants in top management, which will enable us to research on the process they are within.

1.3 Outline of the thesis

The fundament of the thesis is six chapters, including the introduction chapter. Chapter 2 presents key terms and definitions and theoretical perspectives that we will use in our empirical analysis in chapter 5. Chapter 3 is presenting the methodology we will use in the analysis and how we conduct our empirical research. In chapter 4, we will draw on the development and history of SNN and present our empirical findings, as well as answering our three research questions. Chapter 5 will consist of analysis of the four key findings, which we elaborate on in section 4.5. In chapter 6 we will try to sum up and come up with a conclusion for our problem statement, and we will try to make suggestions for further research on this topic as well as implications for practitioners.

2. Theoretical frame of reference

In this chapter, the purpose is to present the theoretical frame of reference for our research. With the theory presented here, we will be able to put analytical grounds for further work with the problem statement.

In part one of the chapter, we will present the relevant terms that are important to fetch an understanding of the whole. This includes management control, dynamic environment and dynamic management control systems. Further, we will go through different theories, such as contingency theory, institutional theory, Scandinavian institutionalism and Innovation and diffusion. Looking at each of the theories, we will try to couple these to our problem statement.

2.0 Terms

2.0.1 Management control as a tool

A firm have to have a strategy, which in many ways is looked upon as the bridge between current state of the firm and the future. This is again based on the firm's vision. According to Anthony (1965), management control is "The process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization´s objectives". The main target of management control is to lead the firm in the right direction in relation to achieve their strategic targets. Merchant et al. (2012) describes management control as a focus on execution, addressing the question: Are our employees likely to behave appropriately? By this, they mean that e.g. top managers are having the purpose to control the behaviour of middle managers and/or employees. In a further distinction, Horngren et al. (2009) looks at management control as a tool to measure, analyze and report financial and non-financial information. Management control is here described as a tool to help managers in a decision-making process and that it should provide guidelines for managers and employees.

In a decision-making process, one wants to make the right decisions to reach the defined targets of the organization. Within this, we look at the management control as a tool. Merchant et al. (2012) states that Management devices or systems are used to ensure that behaviour of employees is consistent with the firm's objective and strategies. It is also used to collect and use information.

2.0.2 Dynamic Environment & management control

The management control literature points out that companies should be dynamic in relation to their environment. Bogsnes (2009) comments: "Across almost all businesses, the operating environment has become radically more dynamic, unpredictable and turbulent". Teece & Pisano (1994) argues that it is the competences of the firm that allows it to create new products and processes and respond to changing market circumstances. Further, they say that the company should have dynamic properties, which is something that relates to success. Firms should be more dynamic to be able to tackle uncertainties and the increasing complexity of the environment. Whether this could be increasing globalization and technological development (Lawrence et al, 2005). The markets develop fast and the intensity of competition increases. Uncertainty related to the technology development is also making the environment difficult to predict. Because of new technology, new firms can enter and threaten the market share of your company, and because of this, there has been a larger focus on innovation.

Summed up, a dynamic environment is an environment in movement and that is changing over time. To achieve success in today's highly competitive market, firms should act fast on external changes (Tatikonda & Tatikonda, 1998)

Companies have tried to overcome the challenges regarded to a dynamic environment by introducing management control systems that are more adapted to handle a dynamic environment. Companies, e.g. Sparebank1 have put to action a process of going from a traditional budgeting to a more dynamic management control, which they call "dynamisk styring" (dynamism in management control). Another example is the Beyond Budgeting concept by Bjarte Bogsnes (2009), which aim for more flexible organizations to cope with uncertainty, globalization and technology in the external environment. In addition to an enhanced set of tools, we have seen a trend in direction of that the tools can be given different content (scope) dependent on what the purpose is (Bjørnenak & Kaarbøe, 2011). It is not enough to have the management control tools, it is also about the use and how you adapt it to your organization, which in the end decides if the organization will be able to work in and adapt to a dynamic environment. If the purpose is to be more dynamic, you have to, in addition to implement the management control tool (system), be in the need of changing the mindset of the members of the organization.

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To sum up the terms of dynamic environment and dynamic management control, we can say that organizations today are to a greater extent than before, getting rid of the traditional budget replacing it by more dynamic management control systems. It is not the tools itself, but how you use them that are important for the implementation of a more dynamic management control. In addition, the companies need to have the capabilities to be able to go dynamic.

2.0.3 Design Characteristics & mobilization of MC

Within management control, there are several design characteristics. According to Bjørnenak and Olson (1999), there has been a rich supply of management accounting innovation in practice affected in the literature, which has often been referred to as accounting models, such as BSC and EVA. However, how they are designed by the various users are differing. They are in a study looking at the change in design characteristics. Bjørnenak and Olson (1999) are dividing between scope dimension and system dimension. Within the scope dimension, they point out descriptive objects, causal variability factors and time, and within the system dimension, they divide between number and lifetime, and user aspects. What is underlying the descriptive objects is that they define the focus of the accounting system (IBID). Regarding these, there used to be departments and products, but in later time, the trend has gone more towards users, channels of distribution, brands, market segments and competitors. Causal variability factors are describing the causes to the variations in the descriptive objects (Bjørnenak and Olson 1999). The change has gone from a relationship between cost and volume of production, to a more complex accounting including cost drivers, activities and number of products. The last element within the scope dimension, which is time, the period of time, which we are accounting for (IBID). Before, it was much more integrated and fixed (calendar year), in contrast to now, where it is to a larger extent, differentiated, having many periods. We cannot talk about design of management control without referring to Mouritsen (2005). He argues in his article that a good design can be beneficial and should work as a blueprint and a path for companies to follow if they want to reach their goals. He further argues that a good design is worth nothing if it is not mobilized correctly and states the importance of that the design does not necessary resolve the managers concerns by itself. Mouritsen (2005) further elaborates on that the mobilization part is something that is done by interfering in its effect. Managers must try to predict how a design will fail and invest to prevent potential problems before they occur. Here we need to mention that the process of

designing and mobilization is a process that needs to be changed as long as the environment around the company changes. In other words, managers should see dangers before they even occur. One way of increasing the knowledge of what the future will bring is using forecasting or scenario planning. From lectures with Professor Bourmistrov (Bodø, 27.09), we learned that forecasting is built on trends, while scenarios is fiction or that it paints a picture of the future. This to get a better understanding of the driving forces of the present. Scenarios can be useful for long term, while forecasting is useful in the short-term.

Summing up, the accounting systems have become more complex, but also more efficient. The number of systems have become many, lifetime have gone from continuous to temporary, larger degree of user involvement and the acceptation of user asymmetry has gone from low to high.

2.1 Role of management control in organizations

In this chapter we argues on contingency theory based on Otley and Chenhall, with regard to how to design a management control system, considering dynamics in the environment. Then we argue on the bases of Hansen and Mouritsen, where management control as a tool for change is about how you use the management control design to reduce the negative problems within the organization due to change. In this chapter we use the management control as a tool for change as a counterweight to the contingency theory. This does not mean that we think that the contingency theory is wrong, but that it needs further development and adjustments in order to be fully functional

2.1.1 Contingency view – management control as a function

The contingency theory argues that a management control system cannot be effective in every situation and that it depends on different factors in different situations and circumstances. Otley (1980) states that for every organization, the accounting system has to be adapted in a way that it is appropriate for the context that the organization operates. It depends on the contingent factors (contextual factors), which the organization has no power over, but has to adapt to. Chenhall (2003) points out six contingent factors: External environment, technology, organizational structure, size, strategy and culture. In the following, we will present these.

When doing contingency-based research, the external environment is a powerful contextual variable and makes up the foundation of the research. Regarding variables in the environment,

Chenhall (2003) goes in depth on the following: Uncertainty, turbulence (risky, unpredictable, fluctuating, ambiguous), hostility (stressful, dominating, restrictive), diversity (variety in products, inputs, customers), complexity (rapidly developing technologies). From this, it has been drawn conclusions, and the most basic one is that the environmental uncertainty as an approximation for the external variables connected to the organization is higher in a dynamic environment, than within a static environment (Duncan 1965). Ezzamel (1990) found that uncertainty in the environment have a positive relationship to budget participation, budget evaluation, required explanation of variances, and interactions with superiors. In a dynamic environment, it is under a flexible style of budget that we find the most accurate budget estimate, but in a tough environment, it is best to have a rigid budget (Otley 1978). It is also found that existing environmental uncertainty have a positive relationship with budgetary slack (Ellis et.al. 2001).

Technology is about how the work processes of the organization operates, involving people and knowledge, software, hardware and materials. According to Chenhall (2003) there are three types of generic types of technology of importance to the design of the management control system: Complexity, task uncertainty and interdependence. Complexity concerns the degree of standardization and is e.g. highly automated production and where to, mass production representing complexity and process representing an increasing complexity (Otley 1980). When it comes to task uncertainty, Woodward (1965) found that technology used to transform input into outputs, also is reflecting in task uncertainty and feedback to affect task uncertainty. In a further distinction, Fry & Slocum (1984) argues that managers who work in a high uncertainty situation may not have all the information they need to perform the task. The causality here is that there is no likelihood to how events will turn out when we talk about uncertainty in a contingency perspective, unlike risk, where there is a probability. Chenhall (2007) finds in one perspective, that uncertainty caused by the external environment need a more open and non-financial responses by the management control system. In another perspective, it seems that a competitive and hostile external environment need a more formal control. This could e.g. be a stricter budget control. When it comes to interdependency, it concerns the dependency between organizational entities. According to Macintosh & Daft (1987), there is a positive relationship between interdependency and informal control.

Organizational structure is concerned the formal characteristics of the roles belonging to

members of the organization, to make sure that the activities in the organization are being done. It is also meant to provide guidelines to fulfil organizational tasks. According to Chenhall (2003), structure has been measured in terms of decentralization of authority, structuring of activities, interdependence and organic-mechanistic orientations. In research done by Gul et al. (1995), he found that organizations that are more centralized are also related to a lower degree of managerial performance, and where it is more decentralized organizations, the perspective of participation is related to higher degree of managerial control. Large, more diverse, decentralized firms tend to use budgeting in an administrative way with a larger emphasis on achieving budget plans, greater middle-management participation in budget-related activities, more formal patterns of communication, and use of more sophisticated budgeting supports. Opposite, small firms tend to be in use of more supervision that is direct, frequent personal interaction and formal budget communication (Merchant 1981).

There have not been done much elaborated research concentrating explicitly on size, but in the studies that are done, there are also included other contextual variables, such as technology, product diversity and the array of controls. To break down the term of size, we think of sales volume, profit, assets and liabilities, numbers of employees and earnings. The larger the organization become, there is an increasing tendency of power in controlling the operating environment, but with this, it also arise and increasing complexity. This regarded to larger flow of information and which in a further extend creates needs for implementing rules, specialization of roles, extended hierarchies and decentralization top-down (Child & Mansfield 1972). In studies done by Bruns & Waterhouse (1975), they found that there are two types of control: Administrative and personal. Administrative control is about having more sophisticated technologies, formalized operating procedures, high level of specialists and work-related rules. Employees were also involved in setting standards and working with budgets. Regarded to this, Bruns and Waterhouse elaborated that budgets was a limiting factor to innovation and structuring organizations. On the other hand, by introducing to a larger degree, interpersonal control, it involved more centralized decision-making and the employees was more satisfied, being able to have more interaction on budget related matters.

Strategy is rather different from the other contextual factors. It is more a mean to an end, where you can have great influence on the external environment, technologies of the external environment and management control systems. Several generic strategies have been

developed, including: entrepreneurial-conservative, prospector-analysers-defenders, build-hold-harvest and product differentiation-cost leadership (Chenhall 2003). Organizations that implement a differentiation strategy or that have had an increased profitability throughout the nearest history have budgetary controls that are more flexible and less rigid. It also been shown that these organizations cared more about long-term results and that the less rigid control could allow you to have more slack in the budgets (Van der Stede 2000). When budget slack was low, it was found that budget emphasis was high (Merchant 1985). Simons (1987) found prospector-theory as a strategy where it is great emphasize on data forecasting in control systems, tight budget goals, outputs are monitored carefully, frequent reporting and use of uniform control systems. Within defender theory, control systems are less in use, there is a negative relationship between tight budget controls and performance and more focus on a bonus system where achievements are rewarded.

Culture has become increasingly important in management control systems, because of international influence, such as that an increasing number of organizations are operating internationally. Chenhall (2003) and Hofstede (1984) discusses seven circumstances regarding the influence of culture: Power distance (acceptance of unequal distribution of power), individualism vs. collectivism (placing self-interest ahead of the group), uncertainty-avoidance (preference to avoid uncertainty and rely on rules and structures), masculinity vs. femininity (achievement, assertiveness and material success vs. modesty and preference for quality of life) and confucian dynamism (status, respect for tradition, protecting one`s face). Most studies are done on the power distance and individualism, regarding standardization, decentralization and characteristics of control systems, and relationships between power distance and individualism. Within power-distance Sekaran (1992) distinguish between high power distance cultures and low power distance cultures. The first one is about that the boarder (hierarchical top) are making all the decisions, whereas low power distance is about that decisions are taken of members on different levels within the organization. Flamholtz (1983) did a case study of three different organizations and found that control systems that not are consistent with the values of the organization, have a larger probability of having more resistance, and motivations that deviate from the goals of the organizations. From this, we can conclude on culture as a conceptual variable, that it is of great importance, implementing it in the MCS to avoid resistance and off-path motivations among members of organization and that there is a clear positive causality between involvement of members in the budget process and motivation.

Whether it is due to the oil price or the main index at the Oslo stock exchange, there is a trend that assumptions made in the budget is being outdated in an increasingly faster pace. In relation to the external environment, changed assumptions through the fiscal year, may make the budget a bad measurement for performance and accurate resource allocation.

2.1.2 Management control as a strategic tool for change

Management control systems are a well-known tool for organization when it comes to budgets, forecasts, control of employees and performance. However, based on Hansen and Mouritsen (2005), management control can be used as a strategic tool for change. These arguments were inspired by Anthony (1965) where he separated management control and strategic planning. Hansen and Mouritsen (2005) argue that both the environment and customers has to be considered and understood in order to make decision about process and investment. Later they argue regarding strategic management accounting literature, and the main argument in literature was that conceptualizations were often extrovert and oriented towards locating the environment the firm operates in, and concluded that this might be challenging due to translation of values and coherence. Hansen and Mouritsen (2005) argue on the bases of Mintzberg (1987) and Mintzberg et al. (1998) that strategies have many faces. Hansen and Mouritsen distinguish between four different types of strategy; "top-down or bottom-up", "emergent or deliberate", "outside-in" and "inside-out". They argue that management accounting researchers often treats strategy as a "black box". Implementation of strategic tool lets the organization bend the tool around the problems they are facing. This makes it easier for an organization to address and improve the problem a turnover. Further on in their article they argue that organizational problems can't be considered to be negative. The reason for this is that problems continue to develop and understand the different paths the firm can choose. In other words, the problems can be seen as a positive turn for the firm since they engage in the future.

Management control has an important role when it comes to change. Contingency theory argues on that management control system is not the primary system but it has to be there, while the variables strategy, environment, size, culture, technology and structure are the primary focus. Hansen and Mouritsen does not attack the contingency theory in any way but tries to develop further to give an alternative view of MC.

2.2 Institutional perspective

Institutional theory is about the interaction between actors, and which are throughout this interaction comes to an agreement regarding definitions about reality.

Scott (2008) defines institutions as multi-faceted, durable, resilient social structures, made up of symbolic elements, social activities and material resources. Institutions exist at a variety of levels and exists in different forms: examples of institutions are human rights, societies, contracts, families, handshakes and belief systems like Buddhism (Jepperson 1991). Scott (1995) describes institutions as compromised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provides stability and meaning to social life. "It is my strong conviction that institutional theory provides the most promising and productive lens for viewing organizations in contemporary society" (Scott 2008).

2.2.1 Institutional pillars

By looking at the institutional environment (the surrounding environment), it is what determines the conditions that the organization and its managers must adapt to and manage in order to be regarded as legitimate actors in the business that they conduct (Furusten 2013). Scott (2008) identifies four types of "carriers": Symbolic systems, relational systems, routines and artefacts. He further identifies three types of pillars: Regulative, normative and cultural-cognitive. Elements that, together with associated activities and resources, provide stability and meaning to social life (Scott, 2008)

Institutional influences on organizational behaviour can take several forms, but taken together they guide the interpretation of issues as they emerge and persist (Hoffman 1999). When we talk about the regular (legal) pillar, its purpose is to guide organizational behaviour. Scott (1995) argues that, in order to survive, organizations must conform to the rules and belief-systems prevailing in the environment. North (1990) argues that the pillar of the institutional environment has its purpose to establish the rules of the game (laws, rules and unwritten codes of conduct) that structure interactions as well as ensure stability and order in societies and bound organizational actions. The normative view builds on the concepts of values and norms. These define what people should do and prescribe how things should be done, and they legitimize the role-based actions and cultural routines that particular individuals perform as they continually construct social institutions (Lamb & Kling 2002). People build organizations according to their values, whereto the values are shaped by the society and

institutional norms within particular cultures (Hofstede 1997). Cultural-cognitive is about symbols, signs and words, which have an effect by shaping the meaning we have for different object. Different types of psychologists have limited their research on cognitive capacities of human and how humans use frameworks, schemes or belief systems to process the information gathered. One example is Herbert A. Simon in this book on administrative behaviour from 1957 where he illustrates this.

Scott (1987) argues that institutionalization "*is a process by which individuals come to accept a shared definition of social reality*".
Institutional elements are either carried or reproduced through cultures, social structures or routines (Scott 1995).

2.2.2 Organizations and institutional environment

Scott & Meyer (1983) argued for a wide range of processes, which was linking institutional environments and organizations. There were also presented a similar typology that helped to secure the standing of institutionalism.

Isomorphism can be defined as a process that happens in the environment that an organization operates in. Hawley (1968) argues that isomorphism "*is an inhibit process that forces one unit in a population to resemble other units that face the same sets of environmental conditions*". By reading Meyer and Rowan (1977) and DiMaggio and Powell (1983) we gained knowledge that they were the first to apply the term isomorphism in institutions as well as elaborate the concept in their influential theory of institutional isomorphism in different organizational fields. According to Mayer and Rowan (1977) there are two different types of Isomorphism; *competitive and institutional*. The first one considers the rationality in market competition, competing among organizations in a field of customers or competing for economic benefit. The second considers for forces bigger then, e.g. your company, pressing it towards accommodation with the outside world (Kanter 1972), we can call this the social fit.

Within the change of the institutional isomorphic, we can identify three different mechanisms:
1 *Coercive* – Cares about two things; the company and the environment, such as politics and competitors. In isomorphism, the trend is to imitate or adopt the values that are processed by the environment, which has a larger amount of resources. So the

environment and competitors affects us, and we try to be more similar or average. In Meyer and Rowans (1977) article they argues that larger organizations expand their dominance over more areas of social life, and causes the organizational structure to be more reflected by rules legitimated by the state.

2 *Mimetic* – In this state we try to change through imitating the legitimacy of other companies or competitors. Let us say that we are entering a new market with our company and that there is high uncertainty in this market. We find a company or competitor that is doing well in this market regardless of the existing uncertainties. What we then can do, is to copy or imitate what the company is doing well in the market and use it in our strategy. One scenario is if the managers and employees of the competitor in this market starts working for our company and simply adapt what they did in the previous company. DiMaggio and Powell argue that skilled labour force or a broad customer base may encourage mimetic isomorphism in their article from 1983.

3 *Normative* – This way of change is very similar to mimetic, but one big difference is that we are imitating or copying, but not on purpose. It is done indirectly. The way we can imitate a company indirectly is through employees and managers former experience. From Larson (1979) we learned that normative isomorphic is related to professionalization. Professionalism is the fight between actors in a market that tries to define the conditions and methods of their work in order to establish a market standard.

As we have argued on above, isomorphism is closely connected to the concept of imitation. If one firm can acquire or substitute the same amount of resources that another firm has already processed, and can do this at approximately the same costs, then they cannot be a source of competitive advantage for any firms. In order for a firm to have competitive advantage Barney (1991) argues that it must be costly to imitate, and divides costly imitation into three categories; the role of history, the role of casual ambiguity, and the role of socially complex resources and capabilities. While talking about institutions, we can elaborate that institutions also can act as a barrier to change by shaping what is distinguished by the members of the organization (Schein 1992). Clearly, institutions affect the process of change, and Lewin (1994 p. 214) argues with that "*organizational structure can become "locked in" to a comparative narrow subset of routines, goals and future growth trajectories*". Institutions develop new functions and because these are added sequentially, they can easily be shaped by internal precedents (IBID). Common law provides the advantages of maintaining consistency

while the structure is being developed. Future interpretation of the law can become more stable if the new adaption don't try to overrun previous principles.

Organizations follow rules, either by law from the company or regulations within the company, but sometimes rules change. Several things can cause this change. When rules change, it tends to affect the decision-making behaviour. Modern thinking presumes that changes is done by imagining the future and check with present budgets and plans. On the other hand, changes can be done based on historical dependent adaption. Strength of institutional theory is that it shows this communication and captures both sides instead of taking either top or local perspective.

2.2.3 Scandinavian institutional theory

Scandinavian institutionalism highlights organizational variation and distinctiveness, rather than isomorphism and standardization. However, variation and distinctiveness are precisely the predictions that make it interesting and relevant to study the process of convergence. What initially appears as significant variation across organizations may, upon scrutiny, turn out to be only slightly different versions of a similar organizational form, and vice versa (Brunsson and Olson 1998). "The logic of appropriateness, which is an institutional perspective about how human action is to be interpreted, is seen as complementary to the logic of consequentiality, which tells rules are either irrelevant, or they reflect powers and interests (act in self-interest)" (Czarniawska and Sevón, 1996). By this, Czarniawska and Sevón is referring to the Scandinavian research tradition, saying that it treats change and stability which together to become a norm. According to Czarniawska and Sevón (2005), organizations are further described as a combination of change and stability, which also gives room for an understanding of the paradox in the organizational life. Researcher within this tradition is interested in processes that shape and construct identity, establishment of rules and disrespect of rules, and institutionalization and deinstitutionalization. Czarniawska and Jorges (1996) are referring to the term translation by Latour (1986) as an opposite to theories about diffusion to explain how innovations are dispersing. According to Latour (1986, p 267), translation models show that when artefacts (things made by people), disperse in time and space, this happens within the control by people, and therefore, people can understand and behave in different ways. According to this, the idea, which is related to the MAI (management accounting idea), it can either be rejected, changed or added new properties

during the travel in space and time. Czarniawska and Jorges (1996) are also elaborating on that the idea has a tendency to materialize itself in the same organizations on the approximately same time, through mechanisms that works as a trend. It is not unusual that many organizations introduce the same change at the same time. Czarniawska and Joerges describe this in the way that ideas travels in time and space. This to the extent that it is looked upon as a circular process, where a translated idea has a local detection, leading to objectification, such as organizational models, in forms that can travel in time and space and that's ready to be used to make a management fashion. At the same time, a local detection is dependent of an objectified idea in the global room, and traveling ideas becomes materialized into organizations actions and in the local room. Scandinavian institutionalism claims that "each act of translation changes the translator and what is translated" (Czarniawska and Sevón, 2005). If these trends are successful, they lead to institutionalization (Czarniawska and Joerges 1996, p 8). Sahlin-Andersson and Sevòn (2003) argues that when there is a process of change, you may want to imitate companies that have had success with a business strategy, policies, organizational structure, technologies or products. Imitation may also be an instrument to achieve certain ends. As certain models are imitated, they may be attached to new ideologies and different programs (Czarniawska 2008). Sahlin-Andersson and Sevón (2003) explains that only a few, known models are being imitated, this as a result of their popularity, and that they are shown to be attractive for several organizations and again trigger other organizations to adopt it. When adopting the model, the organizations are putting low effort into analysis of the circumstances that they operate in and thereby they adopters know little about the consequences of implementing the model. Røvik (1998) argues, referring to Meyer (1996) that in order to travel, an organizational idea must be linked to, and thus legitimized by, central values of the modern world such as rationality, efficiency, renewal, development, democracy, individuality, and justice (Meyer 1996). Czarniawska (2008) elaborates on that the local translation of an idea does not end with a model exact like the original, as well as that each translation of the idea increases the variety of forms. This means that a model on global level, which is being adopted, implemented and imitated by local level, will not have exactly the same concept as the globalized model, but with some differences as a result of the travel and translation. Globalization can mean that a form or practice of organizing has travelled from one place to another, or that a way of acting has been translated into an abstract concept, printed and circulated. Localization can mean that a local identity is being constructed according to a global prescription or than an abstract concept has been translated into a concrete action; but it can also mean that the locals decided to revive (or re-

invent an old tradition in order to protect themselves against globalization`s homogenizing forces (Czarniawska 2008). This perspective could be used to see if and how the HQ level learns from the local level in the organization.

2.3 Management accounting innovations – review of studies

2.3.1 Innovation and diffusion

An innovation can be described as the successful introduction into a given social system of ideas that are considered to be new (Bradford and Kent, 1977). By this, it means that old innovations can be used in a new setting, or that old ideas can be used at a later point of time, and can thereby be seen as an innovation. On the other hand, Sahlin-Andersson and Sevón (2003) found that we today can see a shift, concerned that there today is not a clear cut between an original model and an imitation. When there is a new idea, looked upon as an innovation, it is often old ideas that are being combined into a new.

Diffusion is the process whereby an innovation is communicated through certain channels over time among the members of a social system (Rogers, 1995). In an article of Bjørnenak (1997), he describes phenomenon's that may affect the speed and range of a diffusion process. The first is resistance to the idea, which is regarded unwillingness to make changes in the organization, or due to theoretical objections from academics. The second is barriers to diffusion, which can be concerned with distance. Sax and Bjørnenak (2005) refers to Lillrank (1995), saying that, the degree to which a transferred idea is adapted depends among other things on the distance between the sender and the recipient, the degree of abstraction of the original idea and whether the transfer is guided by the supply side or the demand side. They also outline that technology may decrease this factor, making factors such as culture and mental distances more important. Here we need to specify that diffusion from Bjørnenak is not the same as from Czarniawska and Latour, the process types and analytical terms are different.

2.3.2 Management Accounting Innovations (MAI)

Based on a debate about "relevance lost", initiated by Johnson and Kaplan (1987), it was argued about that management accounting research was failing to keep up with a changing environment, and to that extent, management accounting had lost it relevance for planning, decision-making and control. It was after Johnson and Kaplan (1987) introduction of

"relevance lost" theories about strategic management control came in focus. Bjørnenak (2003) sums up strategic management control to be focus on new objects, variables and longer time horizons as well as a connection between strategy and choice of management control system. Further in his article he argues that management control tools can be divided into three different levels; strategic level, where development, implementation and communication is in focus, administrative level which contain of monitoring resource use and accomplishments, and then operational level which consist of following up work processes. During our presentation of our problem statement we touched upon Mouritsens (2005) passion for design and mobilization and the importance of a proper design and being able to mobilize it correct. He further in his article describes BSC as a communication, information and learning tool with the business strategy ass a target. This tool uses measurement to inform the workers what should be done to lead the company towards its goals now and in the future. BSC mainly concentrates on four factors, economy, customers, internal processes as well as learning and growth. In addition to EVA and BSC, which Mouritsen (2005) elaborates on in his article, Bjørnenak adds a third strategic tool, which is Beyond Budgeting (BB). Wallander (1999) does not share the same view as Bjørnenak (2003) when it comes to what a strategic management control tool is. Wallander (1999) argues on the importance of prioritizing continuous analysis and forecasting instead of long-term strategies and visions, while Bjørnenak (2003) argues that it is the focus on development, implementation and communication of strategy. According to Hope and Fraser (2003) the Beyond Budgeting theory argues that the operational level gives greater responsibility and authority to the decision-maker, as well as a reduced hierarchical structure with less degree of control and greater focus on trust going from top and down. This gives the decision-maker the ability to perform and work toward department goals and does not need to run and ask the top managers for advice. Through Beyond Budgeting we can then say that the focus goes away from strategic level and focuses more on operational level. According to Hope and Fraser (2003) the BB theory says that businesses need to look away from long-term strategy and vision, and instead focus on short-term strategy that can be changed fast if needed. Bjørnenak (1995) is also arguing that a more dynamic perspective should replace the dominant static perspective in the diffusion of MAIs. The paper looks at how MAIs are communicated to potential adopters, with a focus on design characteristics and rhetorical elements. In this respect, design characteristics are according to Bjørnenak and Olson (1999) supposed to describe technical specifications of management accounting models. Rhetorical elements are on the other hand supposed to persuade an audience about the value of an innovation (Bjørnenak, 1997).

By making a combination of the two dimensions, Bjørnenak (1997) outlines several forms regarded to how a MAI is communicated to new locations.

- Design selecting: One or more design characteristics of a MAI are singled out for use.

- Rhetorical selecting: The innovation`s name, parts of its rhetoric or that one or more of the key concepts of the innovation are selected for use.

- Changing: Concerns a partial modification of the design characteristics. On the other hand, the fundament of the innovation is not affected.

- Reframing: Occurs when the MAI is put into a new context, e.g. new organizational functions or that it is introduced to new organizational problems. Design bundling: This is about combining two different MAI, into one management accounting idea.

- Rhetorical bundling: This is concerned about when rhetorical elements of one MAI are combined with rhetorical elements from another MAI, and the new set of elements are than presented as a new management accounting idea.

- Housing: MAI is diffused as a component of another MAI. Here it is introduced a new type of innovation (value based management and strategic management accounting) that's more ambiguous. They cover new MAIs and existing MAIs, and there is not always a transformation of the innovation.

According to Bjørnenak and Olson (1999) the suppliers of MC design use combinations of attributes to differentiate their products in the diffusion process. This, as well as that the design characteristics are important to understand to be able to make an improvement of the understanding of the innovations. Here, Bjørnenak and Olson (1999) refers to the unbundling process of the innovations as a way to improve the understanding of the design. Otley (1980) argues that to make a more decentralized decision making, you need to increase the ability for managers to make decisions. On the other hand, according to Hope and Fraser (2003), you are dependent on that the managers receive the information that they need, when they need it. In the article by Bjørnenak and Olson (1999), they refer to the traditional management accounting system as a system that we know as a coordinating system, but also as a tool to

support operational and strategical processes. This development shows that management accounting has adapted to the idea that different organizational contexts have different criteria of information, and thus has changed the idea of how management accounting systems are being used (Bjørnenak and Olson, 1999, p 334). In a further extent, the reason behind decentralization of decision making and responsibility is that it will act effectively when you want to change from performance measurement, which is the core in traditional budgeting to a management control based on the companies' visions, values and guidelines. The reason is to make a greater involvement in the targets and planning, as well as a larger ownership to the solutions that is being chosen (Hope and Fraser, 2003). In next extent, this could be drivers for continuous improvements, relying on more relative targets.

Bjørnenak and Olson (1999), also highlights that it should be a focus on local needs (asymmetric information) instead of central needs (symmetric information), and organizational learning instead of decision making. Kaplan and Norton (2008) argues that the responsible must understand the connection between strategy and the operational activities, where you develop a strategy, translates it into operational plans, monitor and learn and finally improves, before you restart the process.

2.3.3 Summary of management accounting innovations

Bjørnenak (1997) found that a diffusion have different forms of results. Either in form of that just parts of the management control system are being diffused, or that a MAI is bundled with other ideas. This is a shared perspective with the institutional theory, and especially the different elements within isomorphism; that you want to imitate the whole or parts of the idea. The technical content is also quite ambiguous. Further, Bjørnenak found that the characteristics of the design seem to be less important than the rhetorical elements. This is more within the Scandinavian institutional and works as a strategic tool for change, because it is a part of the language. In addition, the management control research has a tendency that it is not able to follow up with the changes in the market. This is aligned with the contingency theory, that you should evaluate the circumstances that you operate in before you decide to implement a new MAI. Mouritsen (2005) argued on the importance of a proper mobilization of a good design. Continuously, we touched upon the different strategic tools, EVA and BSC as well as Beyond Budgeting, and the different views on this according to Bjørnenak (2003), Wallander (1999) and Mouritsen (2005). According to management control as a strategic tool for change, we can see a similarity between the studies; that they try to understand the

circumstances before they implement a new management control. On the other hand, studies that are based more upon the institutional theory, seem to be taking the customer perspective more into consideration, while contingency theory evaluate the circumstances more thoroughly. Building a strategy towards a new MAI, by combining the institutional theory and contingency theory, adopting and imitating parts of the existing control systems and evaluating the circumstances you operate in, to make the MAI sustainable is important.

2.4 Analytical framework

The theories that we use in our thesis, which make the fundament for our empirical research and analysis are provided to make us able to draw conclusions and make confirm- and disconfirmations about how an idea is translated down on local level.

The theories that are presented gives us different viewpoints on how a business operates concerned conceptual factors, institutions, how they adapt to innovations and strategy. The conceptual factors regards the environment of the company and that the management control system should be adapted to be able to function among the different contingencies. Management as a strategic tool is about how management control can be used as a strategic tool for change. It is argued for that this can make it easier for a company to address and improve a turnover. The institutional perspective is about how actors interact, and whether it is beneficial or a barrier for the business to become a part of an institution. This is also what a lot of the research on the topic are centred around. Scandinavian institutionalism is more about a focus on the local change and the diffusion of ideas. By institutional theory, we want to make an understanding on how ideas travel from centralized level to local level, and how these ideas are adapted. MAI research finds that diffusion have different forms and end results. Researchers argue that the content could be quite ambiguous and characteristics of the design seem to be less important than the rhetorical elements. From institutional theory, one can experience separate connections between formal (in our case, headquarter) structures/design and how management (local level) choose to manage the organization, meaning that the formal structure can be different from the actual legitimacy. From MAI research we learned that management accounting had lost it relevance as a technical tool, and that included more studies of MS as a social process, where one can see how MC works as a communication for the organizational strategy and facilitate change. In contingency theory they argues that MCS cannot be effective in every situation and argues that it depends on the

factors in different situations and circumstances. Based on this we can argue that the diffusion of ideas will have a different outcome, compared to the established MC ideas from headquarter. This, regarded to that the environmental circumstances which they locally have to adapt to, could differ from headquarter to local level.

Figure 1 - summary of the theoretical framework

	Management control as a strategic tool for change	Institutional theory (IT)	Contingency theory
Management control system	Can be used as a strategic tool for change in order to further develop and find new ways to apply tools in organizations in change	Managers use IT to get a better understanding about the reasons for introducing management control systems and the cooperation between the parts of the organizations MCS package	MCS is not the primary system but needs to be there. CT focuses more on environment, strategy, size, culture, technology and structure
Implementation - Why/how?	Improve and address negative problems and by being able to bend the tools around the problems they are facing.	Interaction between actors and due to the three pillars regular, normative and cultural.	Adapt strategy to critical conceptual factors to make sure that strategy is in line with the firms objectives.
Environment	Should be considered and understood before making final decisions regarding process and investment. Translation of values and coherence would be in the way of locating the environment the firm operates in.	IT collaborates about three different mechanisms (isomorphism) regarding the environment Coercive – company and environment Mimetic – imitate (copy) Normative – imitating, but not on purpose	How the management control is adapted to conceptual factors such as uncertainty, hostility, diversity and complexity. Uncertainty in the environment has a positive relationship with budget participation.

Figure 1 illustrates the three different theories we have used and a summary of them regarding three different elements: MCS, implementation and environment. This figure was made in order to give an illustration and create a better understanding of the different theories and their intentions.

In order for us to further structure our thesis, we have developed a model to better understand the theories and how we address them throughout the thesis.

Figure 2 - Research model
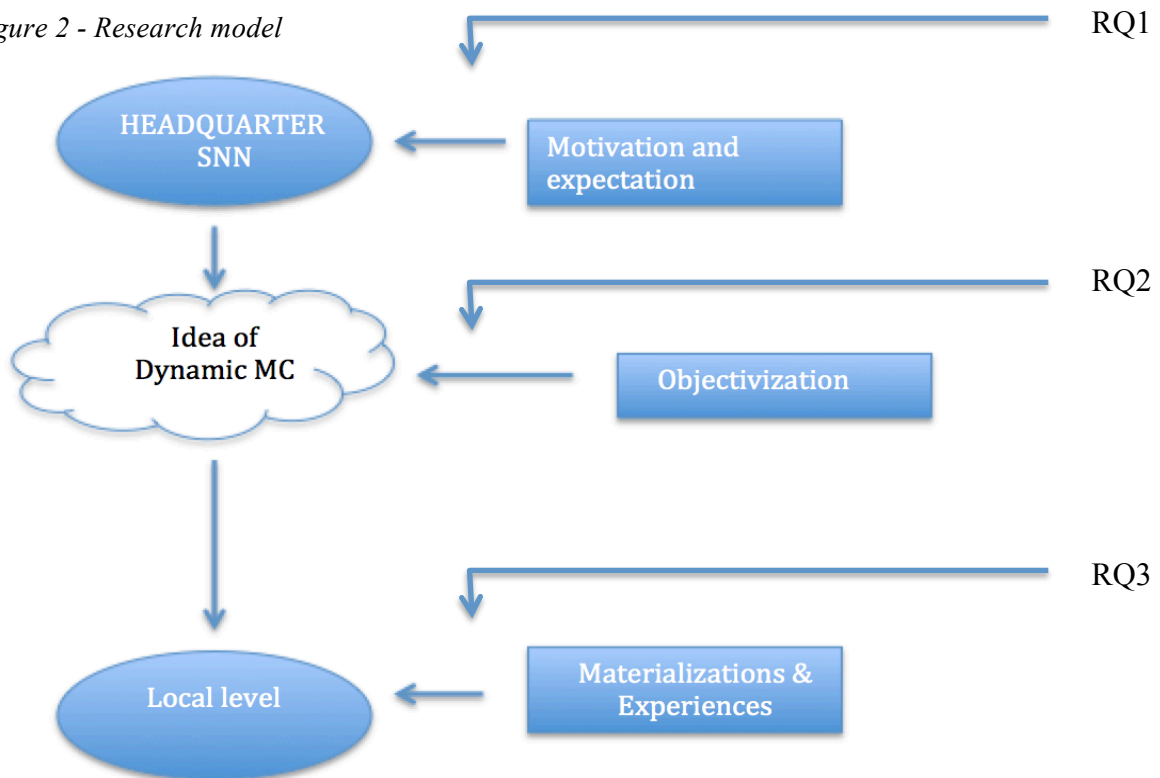
Figure 2 illustrates how a new model or idea gets implemented in general. The circles are illustrations of the objects we are studying and the square boxes, line of enquiry which is factors that we in our study have based on theory and which can have an effect on the objects. On the first level HQ is a subject of institutional forces giving pre-defined expectations of how a new model should be designed, and then the translation process starts and goes down to local level. On local level the new idea is affected by materializations and expectations.

We will again present our research questions and illustrate how they are connected to our research model.

RQ1: How is design characteristics submitted by the headquarter?

RQ2: What are the design characteristics of the new MC tools, seen from the local level?

RQ3: How are those tools involved in communication within the headquarter and local level?

As one can see, RQ1 captures the implications at HQ level, while question RQ2 elaborate on how the design characteristics is seen from local level, and RQ3 how these tools, such as translation and other characteristics are involved in communication between HQ and local level.

3. Methodology

In this chapter, we would like to clarify the methods that we use for both collecting and analyzing the information that we find. At first, we will describe the choice of research design and then we will approve for the method of data collection.

3.1 Research design

The way we collect data is depending on our problem statement and research design (Johannessen, Christoffersen and Tufte, 2011). We have chosen to do a case study with a qualitative research design. Qualitative methods are much applicable, according to Johannessen, Christoffersen and Tufte (2011, p 37), when you don't know so much about the subjects on beforehand. Mehmetoglu (2004, p 21) states that qualitative methods are suitable for answering problem statements that starts with "what" and "how". Using a problem statement consisting of "what" and "how" indicates that we as researchers want to gain deeper understanding of a subject. We can say that the design of the research is crucial when it comes to what is being researched, purpose of the research and how the research is carried out. From (Yin 2009) we learn that there are some crucial statements regarding choosing a case design. One of them is that the researchers should have theoretical assumptions that underlie the future study. Another statement from Yin (2009) is that the theoretical findings could be interpreted with already existing theory on the subject.

Therefore, with what both, Mehmetoglu and Yin states in their books, we concluded that the

method should be qualitative with a case design. The problem statement and the theory are leading to further research and by studying a case, we can make research on the management control instructions emphasized from level of headquarter implemented at the local level.

According to Ryan, Theobold and Scapens (2002), there are five different case studies that can be applied: descriptive, illustrative, experimental, explorative and explanatory studies. The first case describes different methods and techniques practiced in one or several firms. The second one seeks to portray new methods that are being practiced by innovative firms for the purpose to increase knowledge in the organization, but that are hard to realize and evaluate. Experimental case study can be used to shade some light on these difficulties. Explorative case study is relevant when you want to address the cause of why a company uses a certain method, and to research phenomenons, that are less known. By applying different hypotheses, these can be tested and further draw a generalization of the method. This study is often the first stage in a big empirical research. Finally we have the explanatory studies. The meaning of this study is to come up with theory that gives a good explanation on a concrete case without coming up with generalizations.

In our thesis, we will do an explorative case study because of the restricted research done on the topic. The phenomenon dynamic environment is a known theoretical concept, but not so many companies apply this in their management package and fail to read the environment and surroundings. It is therefore hard to use other forms of case studies. By doing it this way, we want to see how it has been applied in practice and if SNN uses the information and "signs" from the environment.

According to Yin (2009), there are two different dimensions of designing case studies. The first dimension addresses numbers of cases and study objects that is involved; the second case design is based on if there is use of one holistic or several analytical approaches. Since the design of our research is an explorative case study and that we want to explore and achieve more knowledge, a single-case will be very applicable for this research. Since we have a single-case; SNN, we are able to go in depth to achieve a greater understanding of how MC instructions emphasizes from headquarter down to local level. If we were to add another or several cases, it could make the picture of the reality more unclear. Since we now can define dynamic environment as a phenomenon, it would make it difficult to compare different cases. On the other hand we could see some similarities within the same market, but since we only

want to know about SNN in specific, it would be inappropriate to compare management control instructions from top to bottom with another company in another market. As we have touched upon earlier, we would like to add to our understanding how SNN adapt their management control to a dynamic environment. By using a single case, we are able to narrow down and concentrate our focus to just this.

3.2 Method of data collection

In this part-chapter we would like to justify why we have chosen the way certain data collection method that we have. As we briefly touch upon earlier, the way of collecting data can be done in different ways, and depends on the research design. Johannessen et.al. (2011) argues that there is two main ways of collecting data; quantitative and qualitative, and that there is a clear contrast between these. Qualitative data is often flexible and unstructured, and tends to go more in depth and gives a greater understanding of the phenomenon that we study. The findings are also often more comprehensive and holistic (Easterby-Smith 2012). One example of qualitative data is the data one achieve from an in-depth interview. Qualitative data will add more sources or objects that can help the researcher to make a conclusion and generalize on the bases of a group. This data is typically collected from structured surveys and finding tends to be more precise and narrow (IBID).

Regarding choice of the method and our conclusion of choice of method, we have chosen a explorative and qualitative method. The qualitative method are suitable for our research since one of the goals of this study is to achieve a greater understanding of how SNN have adapted their management control to the dynamic environment they are operating in. Because of the lack of knowledge within the dynamic environment and how MCS controls are being applied on local level, it could be difficult to make a questionnaire, using a quantitative design.

3.2.1 Primary and secondary data

According to Jacobsen (2005), there are two ways of collecting data, which are called for primary and secondary data. Primary data is data that that are collected for the first time and that are narrowed down to what is researched, which can help the researcher to answer the problem statement (IBID). In our thesis, this would be to collect data through qualitative in-depth interviews with the leaders and managers in SNN both on the local level and the level

of headquarter.

Another method is observation, but it can be difficult to observe the control mechanisms going from top to bottom. Through the in-depth interview, we can as researchers come closer to the interviewee and improve our knowledge, experience and understanding of the topic. This is due to our interaction with the informants, and their willingness to share their experience that they have had with the control system. This is in the next extent making us able to get an understanding of how the MCS have changed. Through this, we can make a thorough analysis.

3.2.2 Interview design

Britten (1995) states in her book that there are three main ways of conducting an interview; structured, semi structured and in-depth interviews. There are a few pitfalls we need to be aware of when we are using interviews in our data collection. An example of this is that information that the interviewee shares may be affected by the relationship between the interviewee and the interviewer (Johannessen et.al. 2011). The interviewee can also tend to not be giving negative or sensitive information, because of loyalty for the company and co-workers.

Further, when we are conducting the interview, we collect data about the current situation and the past to seek knowledge about the development and improvements of their management control system. Johannessen et.al. (2011) indicates that there are some cons in asking the informant to tell about the past, since important and relevant information form the presents can be let out. People will most likely have larger engagement for things that occurs in present rather than the past, which is most likely partly forgotten (IBID)

As described earlier, secondary data is collected by other researchers, which means that the information is used in a different purpose (Jacobsen, 2005). When you have done some qualitative research in the past, you might know that there is also some pitfalls for this category. One huge mistake is to 100% trust the information gathered by others, because of the different purpose of the researchers. In our study, we will use annual reports and articles that are well known to improve knowledge on the topic.

To sum up this chapter in short lines, we have chosen a qualitative research method, which we will come back to later. Additionally, we have chosen an explorative single-case design and a semi-structured in-depth interview. We do this to achieve a proper data collection, which makes us able to do a good empirical research and to answer our problem statement.

3.2.3 Qualitative interview and analysis

When conducting a qualitative study we have to choose how many informants we should have, and whom to pick. This is the essence when it comes to researching. All this depends on the method that is being applied. As briefly touched upon earlier, we differ from qualitative and quantitative research. As we for our research chose qualitative method, one thing that characterizes this type of method is that we seek as much knowledge as possible from informants (Easterby-Smith 2012). As we also outlined earlier in this thesis, we would like to answer the given problem statement.

Riley (2000) argues about the complexity of a god sample. He argues that a good sample could be crucial whether or not the research project is a success or a failure. In our case we early made a decision on that SNN should be the case for our thesis. Already in September 2015 we established contact with the CFO in Tromsø and arranged a telephone meeting with him and a department manager in Tromsø. In January 2016, we made contact with the EVP of Salten and a department manager here in Bodø and they both said yes to take part as informants for our case study.

In order to be able to answer the problem statement, we made different research questions. When we design the interview we need to have the problem statement and research questions in mind. Often research questions tend to be too complex and the majority of people would not be able to answer these types of questions. To avoid bias in our research, it is important to generate critical and simple questions for the interviewee to answer with the aim of gathering good and valid information. In qualitative research, there is not a given template on how many informants you should have. Eisenhardt (1989) argues that you should stop collecting data when you stop getting new information, also known as data saturation.

When it comes to the different types of interviews, as said earlier, Britten (1995) differentiate between structured, semi-structured and in-depth interviews. Since there is no right answer to

a question, the analysis will be based on what the interviewee actually says during the interview. She also suggest in her book that we as interviewers should aim to discover the true essence of the information being shared, and avoid to impose personal structure and assumption during the interview. Britten (1995) also states that the questions in an interview could/should consist of; experience, behaviour, option or belief, feelings, sensory and background or demographics

There are also certain ways of maintaining control when you are conducting an interview. These are;

1.   Knowing what you want to find out.

2.   Asking good and relevant question aimed towards the purpose of the research.

3.   Give appropriate feedback when necessary. (Britten, 1995)

As briefly touched upon in the previous chapters, there are some pit falls in this way of collecting information, but during an interview Britten (1995) lists six different categories.

·   Interruption from outside (telephone)

·   Competing distractions (children)

·   Stage fright for interviewer of interviewee

·   Jumping form one subject to another

·   Presenting own perspectives

·   Asking awkward questions

All these pointers are things we need to take into consideration when conducting an interview to gain the best knowledge as possible.

When it comes to analyzing transcripts from in-depth interviews, Easterby-Smith (2012, p.167) differs between 7 different ways: Familiarization, reflection, conceptualization, cataloguing concepts, re-coding, linking and re-evaluation.

The first two; familiarization and reflection are about transcribing the interview immediately after the interview, in this way your brain still remembers facial expressions and the whole setting much better.

Yin (2009) recommends that researches frequently need to question the quality of the design of their case study. He mention four tests by names that are commonly used to check this. Yin also argues that this should be applied throughout the whole study process consisting of design, data collection, data analysis and reporting. In Yin (1998 p 242) he states that by

following these four control factors your research will "*increase the quality of your case study tremendously, and overcome traditional criticism of the weakness of the case study research*"

3.2.4 The informants

After we decided on which direction and what we wanted to study, we began looking at SNN. At this time, we did not know that there was an alliance owned by the banks. As we touched upon in the previous part chapter, we established contact with the CFO in September 2015. He told us that they tried to help out with this kind of thesis, we just had to make it clear what we wanted to research. We then wrote the project paper angled towards SNN as a single case study. In January 2016 started to establish contact with employees inside SNN to find out whom we should interview. After talking to the EVP of Salten we started designing the interview guide. In total, we made contact with eight informants, whereas one interview was made as a group interview.

In order for us to anonymize the respondents, we have chosen to call our informants by their title in the organization. EVP, executive vice president, is the leader, either in the bank or region. BM, which is bank manager, is the leader of the banks and have the responsibility of the daily issues and front positions. Then we have DM, department manager. This is the leader for some of the advisors and one department. CFO, which is chief financial officer, this is just to bring the economic point of view into our study. Then we have advisor, which work at financial centre. Out of this 8 informants were there 3 women and 5 men. We don't have any reason to believe that gender is a relevant factor for this study, and the empirical findings doesn't give us reasons to believe that the response from the informants could differ based on gender. The method that we chose to pick the respondents, could affect the result of the study. We used a way of the well known "snowball effect" with a strategic twist. We picked the leaders, and then some of the leaders told us whom we should talk to in order to get the best answer as possible. When the respondents are picked strategically, it is a risk that this might affect the outcome of the study. When the respondents are picked based on opinion and views, it could be a benefit for the study.

When we have chosen this selection of informants we argued on pros and cons. We still mean that this study is increasing its validity when the informants are chosen based on the "snowball effect" with a strategic twist.

Below we have shown the structure of the organization and the structure of the informants.

Figure 3. Hierarchal structure in our case study SNN

Sparebank 1 Nord Norge

EVP i Nord Norge → Konserndirektør finans

EVP Salten   EVP Hålogaland

Bank Manager Bodø, meløy   Bank Manager Harstad

Department manager City Nord   Department manager Bodø   Advisor
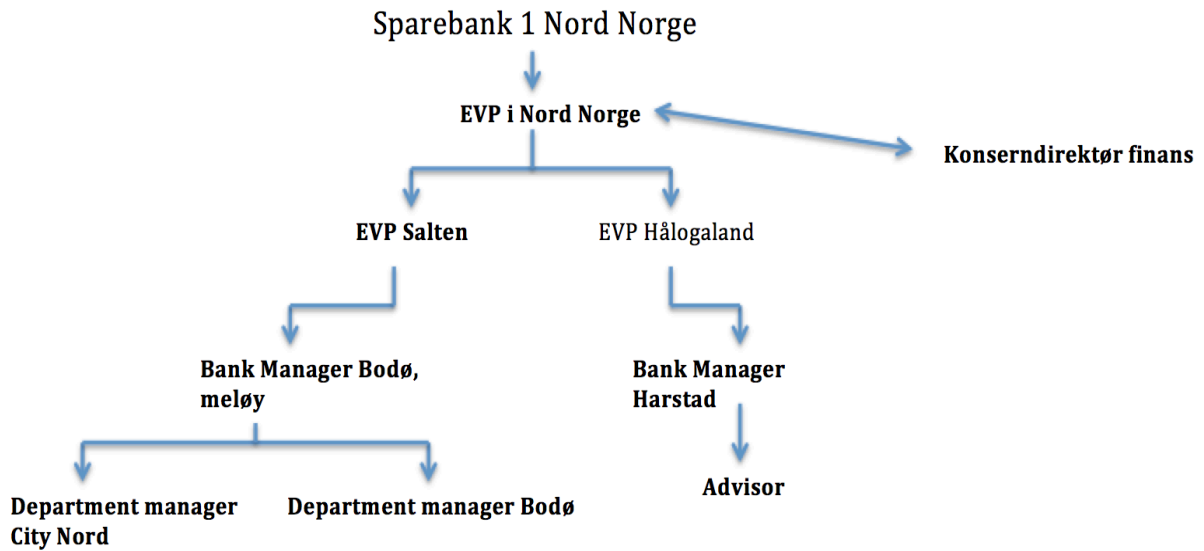
Figure 4. Illustration of the alliance, and shows where SNN is in the alliance

	Sparebank 1 NN	Sparebank 1 MN	Sparebank 1 Hedmark	Sparebank 1 SR bank	SamSpar	LO
Ant aksjer:	19,5%	19,5%	12%	19,5%	19,5%	10%

Produkter, provisjon og utbytte ↑   Salg ↓

Sparebank 1 Alliansen

BN bank	Bank 1 Oslo Akershus	Sparebank 1 Forsikring 100%	ODIN forvalting 100%
Sparebank 1 Boligkreditt	Sparebank 1 Næringskreditt	Sparebank 1 Markets 97%	Sparebank 1 Medlemskort 100%
Eiendomsmegler 1		Sparebank 1 gruppen finans 100%	
	Virksomheter		

As we briefly touched upon previously, we chose qualitative interviews, which are semi structured. After a process of finding out whom we should interview we decided on 7 interviews, where one of them were a group interview with two persons. The reason for this

group interview was time issues mostly, since we only had a certain amount of time when we travelled to Tromsø and Harstad. Figure 4 shows the hierarchical leader structure and the different informants on the different levels. We were not able to get an interview with the EVP of Hålogaland due to time and cost issues.

Table 1. Illustration of all the informants and key information in SNN

Informant #	Position in SNN	Location	Experience in SNN and with the MCS
Informant 1	**EVP of Northern Norway**	Tromsø	When we talked to the EVP of Northern Norway we got the feeling he wanted to make things easier and did don't want to be seen as the leader at the corner office. He told us: *"I've been in the bank now for three and a half years. I have previously worked in another bank Danish bank. And before that I have been in the industry. I have some MBA and engineer degrees so I consider myself to be a bastard. When it comes to my days, they contain anything from meetings, safeguarding the progress and development and the core business of the bank here. For me this will be a meeting in the Group, meetings a daughters and general operating and developing the Group. . There are at least three major parts my day going out on a purely it is the commercial group, alliance and social arena."*
Informant 2	**EVP of Salten**	Bodø	She was one of the first persons we contacted in SNN. She told us that she started working at SNN in 2003 and started as EVP in 2009. She told us: *"I have worked my way from the "bottom" to the "top" and this is a great experience for me because I know what functions and don't on finance centre level. I is important for me to know this when we sets our goals so the goals are totally wrong and we are able to sett the right ambitions for our self."*
Informant 3	**Bank Manager Bodø, Rognan Meløy**	Bodø	The EVP of Salten introduced the bank manager to us to right after the interview with her. Him in addition to the EVP of Salten have had a long career in SNN, all the way back to 2005. He has been included in many big changes in SNN. He told us: *"One year after I started as leader of the private market, we closed the cashier points. This happened all over the region. I have three leaders that reports to me, one in Bodø, one at City Nord and one in Meløy. We need to deliver as good as any other bank or better, because we are competing of the investor's money.*
Informant 4	**Department manager Bodø**	Bodø	She was the one with the longest career in SNN and had been working there since 1982. She told us that she had been working as a leader of the advisors the whole time. She told us: *" I have one to one follow ups with*

			the advisors every second week. So my days consist about following up their activity and sales. I also put the finishing touches on most residential purchases and granting credit."
Informant 5	**Department manager City Nord**	Bodø	He had just had 2 years of experience in SNN, but previously he had been working in DNB for eight years. By interviewing him, we got the view of a "newly" employed department manager. He told us: *"I have the responsibility of SNN department City Nord where we primarily work in the private market. Corporate customers are treated in the front position in the daily. My job is to follow up the staffs that have daily customer meetings. I also have responsibility for performance and personnel responsibilities. Normally we have five counsellors and two substitutes in the evenings."*
Informant 6	**CFO**	Tromsø	He was the first person we contacted in SNN, and this was already in October 2015. He told us, already back in 2015 that they were very helpful in studies like ours. He told us: *"I am working as a CFO and have been working here for 10 years. I have been in the bank industry my whole working life. My field is economics and finance. My workdays consist of producing quarterly reports and financial disclosure mostly. I also have the responsibility for investor relations (IR). This is about the relationship to external investors. This is important because deposits alone are not enough and we need to lend more money to finance the loans. My financial part of the work is about financial control of the group, which consists of managing funds. We also have a liquidity of 12 billions"*
Informant 7	**Bank Manager Harstad**	Harstad	She was newly employed and had previous experience with budgeting. She told us: *My role is that I am bank manager in Harstad finance centre, previously we had one BM for corporate market and one for private market. I try to have customer contact and try to be on meetings and together with the customer*
Informant 8	**Advisor**	Harstad	He had been working for several years in SNN and have seen changes in the organization at finance centre level. He told us: *"I work mostly on region level, I am in the decision group in the region. My work is mainly to deal with commitments that goes a little slow and where customers are struggling. I also had a support function for the BM her in Harstad and the BM in Ofoten."*

In the table above you see the informants we used in our thesis. The informants consist of both experienced employees and less experienced employees. The informants having less experience in SNN is just as important to us in this study as the experienced one. From what we learned about our informants we have two employees that falls in the category of having less then 2 years experience in SNN. The rest of the informants is to be placed in a category with 2 or more years, and even one informant had been working in SNN since 1982.

3.3 Validity and Ethics

There are four ways of enhancing validity throughout the study (Yin 2009, p 40-45), and these are as following;

Construct validity

Constructive tells about the correct use of labels to improve the quality of the research. To enhance quality you may for instance use multiple sources of evidence, discuss the concepts with experts and have key informants to read through a draft of your research. Within our case, experts would be our supervisor and teachers in the field of management control.

Internal validity

When you conduct a case study you have to check the internal validity. One way of doing this is by asking if the conclusion of the study is correct. This is also known as credibility. Have you identified the correct cause? To enhance this type of validity, one could look for alternative explanations. Does the evidence seem to provide more or less the same? In our case can we enhance the credibility by letting the interviewee read the transcribed interviews and approve them. This is elaborated further under the section "reliability".

External validity

Also known as transferability. Here, one need to question whether or not the observed objects can be generalized. By this we think of whether our study can be transferred and used within similar phenomenon. Johannessen et.al. (2011) agrees with Yin (2009) argument regarding generalization. It is common to generalize qualitative research analytically. Ways of enhancing the generalizability is by selecting a relevant case, describe the content, replicate the cases and use theory. In our research we have the case study of SNN as a starting point. The result of this case study could not be generalized to other businesses, because our study is

focusing on going in depth on the management control systems and how it travel from headquarter, down to local level. It might be some factors that could be generalized in other relations, especially when it comes to looking at the process of management control systems and the way different departments and levels cooperate with each other. Due to this we can say that this study can be an analytical generalizability, which means to what extent this study can be used in similar situations. Since this study only focuses on one region and therefore one subsidiary, it will be difficult to say anything about whether the result accounts for all the other subsidiaries and for the holding company.

Reliability

Reliability, also known as dependability, takes the quality of measurement, also known as dependability. This takes the quality of measurement into account, how data is being collected and how it is processed. Could the study be repeated again with the same result? Ways of enhancing the reliability in our study is by clearly defining the approach, method, design and decision throughout the process. When the interview(s) are done and recorded to make sure everything is collected, one way of enhancing the reliability by having two researchers transcribing the data. By doing it like this, we decrease the probability of that the data are being affected by meanings brought up by one single person, and we also make sure that we don't overlook essential data. The informants are chosen on the basis of one thing, our problem statement. In order for us to be able to answer the problem statement, we need to have two things: a good interview guide and informants that we believe can share information that will be relevant for our thesis. The collection of informants are done by the help of the EVP and CFO with a twist of the "snowball effect", when they were interviewed, they recommended others that we should talk to. In this way we strengthen the reliability by letting the interviewees provide input to whom we should interview and that might be able to have the appropriate information and knowledge for us to be able to answer our problem statement. The informants were informed on beforehand that the interviews were being recorded. Because our interviews were semi-structured, we were able to do follow-up questions and reformulate the questions in order to get the information we were seeking. The interviews were held in Norwegian language and transcribed in Norwegian, but analysed in English. In this case it was a little chance that some answers were misunderstood, but as we outlined earlier, the transcription process was done independently and then combined to one single transcription document. The document containing transcribed interviews are in appendix together with the interview guide. The interview guide was a large task, and needed to reflect

on the theoretical frame of reference. We got a tips from our supervisor that we needed to take time, and not rush in the process of designing the interview guide. When the interview guide was done, we sent the informants a list of 4-5 themes we would like to talk about. We did not send the questions in the guide and the reason for this is the informants then can make up answers already before the interview takes place. We find it important that the interviewee makes up their mind about answer to our questions during the interview, rather on beforehand, making answers that might look the best on paper for the organization. All elements argued on above are factors that have enhanced the reliability of this study.

Ethical issues

Ethics can be an issue during the process of doing research. Easterby-Smith (2012) refers to Bell and Bryman (2007) when it comes to ethics, they have made a list of 10 principles that we as researchers should follow during the research process. (Easterby-smith, 2012, p.95)

Table 2 – illustration on the 10 ethical principles

1	No harm to participants
2	Respect the dignity of research participants
3	Be sure that the informants are informed about the consent
4	Protect the privacy of the subjects
5	Be confidential with the research data
6	Protect the anonymity of the participating individuals and organizations
7	Tell the truth about the aim of the research
8	Declaration of affiliations, founding sources and conflict of interests
9	Honesty and transparency when it comes to communication
10	Avoid using misleading or false reporting of research findings

So in other words this is something that we should keep in mind when staring to go further in the thesis. In our thesis, we make a study of an object, and when we do the interviews we need to be open and honest concerning the reality of the study. This to protect the interest of the participating individuals and organizations. As soon as the interview are done, we transcribe them into words by listening to the recordings and notes we make during the interviews and giving them different label names to enhance the anonymity and privacy. If any informants have confidential data, we would not publish this data to remain the confidentiality (Easterby-Smith 2012).

To sum-up this chapter in short lines. We have stated what a qualitative interview is. We also pointed out guidelines on how to maintain control over the interview as well as pit falls of things we should not do during the interview. We further talked about the different ways to test the validity of research throughout the whole process using Yins (2009) concepts of construct, internal, external- validity and reliability, before we touched upon how we can absorb it in our study. Then we shared some common ethical issues based on Easterby-Smith (2012), and ways we could prepare our self to be sure that we did not interfere with the issues.
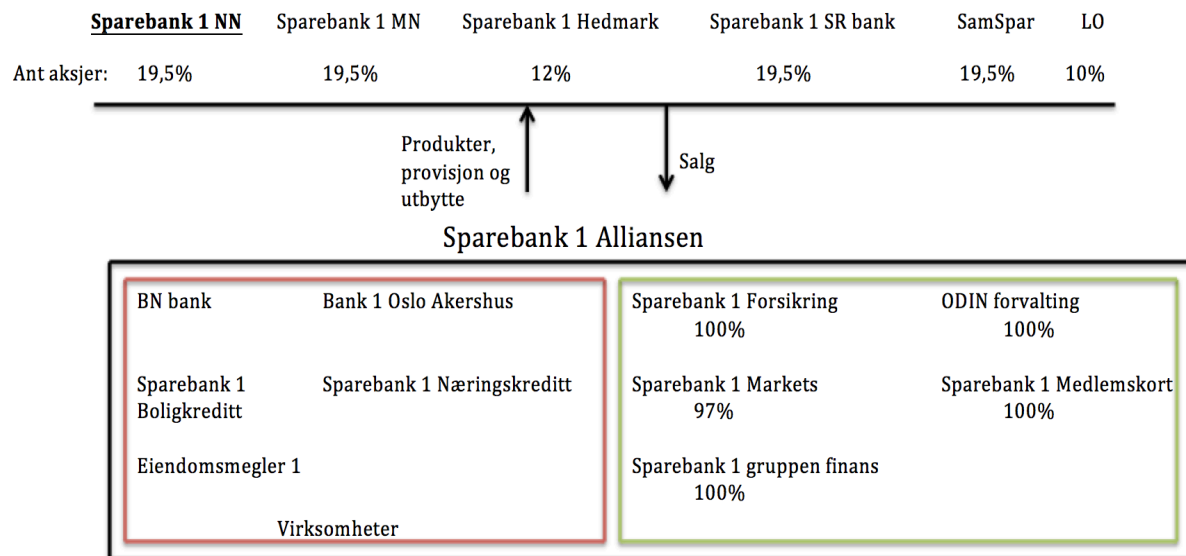
Summary of methodology

In this chapter we have presented and explained our choice of methodology. In other words, the methodology we use in our thesis for collecting and analyzing data for this research. We have chose to do an explorative case study of Sparebank 1 Northern Norway. We have outlined that we want to use qualitative method with a use of a in-depth interview, which we have decided to make semi-structural. In this chapter we have also argued on different types of data we could use, primary and secondary, as well as the difference between them. We have also chosen to introduce our informants as well as "where we are in the alliance". Further we distinguished between the different types of validity, reliability and ethical issues as well as how we could improve or prepare our method to be able to make the best and most suitable answer for our research questions and our thesis in general

4 Case Sparebank1 Nord-Norge – Empirical findings

When we present our empirical data, we find it convenient to start this chapter with a part that includes general information about the company SNN, a company that we early in the writing process caught interest for as our case object. In the second part we will present the development of the control system, as well as how it is today. Further, we will present the relevant empirical findings that we in our thesis will use to answer our research questions. This will to the next extent will help us to answer our problem statement, as to how the management control system is emphasized on local level, we will analyze based on the theoretical expectations and the answers we received from our informants. The empirical findings are information that we collected through a selection of in depth interviews. The questions that we built the interviews on relates closely to the theory discussed in chapter two, and the reason for this is our aim for this study, and to make sure the data we collected through the in depth interviews are reliable and precise related to our problem statement.

4.1 Implementation of the new MC idea in the alliance

First of all we need to remind about the structure of the alliance, this because it is something that is important to keep in mind throughout the chapter to understand the flow of information and power.

Sparebank 1 NN	Sparebank 1 MN	Sparebank 1 Hedmark	Sparebank 1 SR bank	SamSpar	LO
Ant aksjer: 19,5%	19,5%	12%	19,5%	19,5%	10%

Produkter, provisjon og utbytte

Salg

Sparebank 1 Alliansen

BN bank	Bank 1 Oslo Akershus	Sparebank 1 Forsikring 100%	ODIN forvalting 100%
Sparebank 1 Boligkreditt	Sparebank 1 Næringskreditt	Sparebank 1 Markets 97%	Sparebank 1 Medlemskort 100%
Eiendomsmegler 1		Sparebank 1 gruppen finans 100%	
Virksomheter			

Sparebank1 Alliance is a cooperation consisting of 16 independent banks and is organized through the company Sparebank1 Group AS, Sparebank1 Bank-cooperation DA and other cooperation's directly owned by the Sparebank1 banks. Sparebank1 Group develops and delivers products for distribution in Sparebank1 banks and to the LO union. Thereunder, subsidiaries and owners, consisting of SR bank, SMN bank and SNN (savings bank Northern Norway) as the largest owners/stakeholders with 19,5% each. Sparebank1 group was established in 1996 and is a part of the Sparebank1 alliance. The Sparebank1 group task is to be a driving force for the alliance cooperation. The core business of Sparebank1 group is to create off balance products which are being distributed through the approximately 300 offices throughout the country (pressesenter, Sparebank1).

SNN was established in 1989 and was a result of a merger between Tromsø savings bank and savings bank north, and in 1991 Nordkapp savings bank and then later, in 1992, savings bank Nordland also merged.

SNN is one of the four regional banks within the alliance, having 66 offices/local units within the Northern part of Norway. SNN consists of four regions, ranging from Salten (Nordland) in the south to Finnmark in the North, and includes also Hålogaland (Troms) and Svalbard.

4.1.1 Diffusion at SNN and others

In 2007, Sparebank1 alliance decided to change their control system, going from traditional budgeting to a more dynamic control system which they called "dynamisk styring". This was a system based on principles from the Beyond Budgeting roundtable, which offers an alternative model for management control. The new control system was introduced due to that assumptions that had been made in the budget were quickly becoming outdated. Both with regard to a fluctuating oil price, change in technology and change in the customers demand. "Dynamisk styring" is a control system philosophy based on rolling forecasts, benchmarking, liga tables, bonus and incentives, as well as culture and organization. For the group, "dynamisk styring" is about using trust and relative targets to become among the best in the market. This is achievable through having good employees that think that it is motivating and developing to work within Sparebank1, and by having a strong focus on what`s happening in the market. In the following, the elements of the new management control system, implemented by Sparebank1 group, will be presented.

4.1.1.1 Design characteristics in the <u>alliance</u>

In this chapter we will elaborate on the different design characteristics we have found in the alliance based on different articles and presentation found on the Internet. These sources are highly reliable due to the fact that Sparebank 1 group or SNN are the authors.

4.1.1.2 Rolling forecast in the <u>alliance</u>

Sparebank1 group have with their new control system implemented quarterly rolling forecasts, going twelve months forward in time. This helps to guide the group in the right direction, and has according to Aune, 2009 become an important part of the new control system. Forecasts made in e.g. q3 2014 are being compared to forecasts made in q4 2013. This follow up are supposed to help the group to get an understanding of why a possible deviation occurs. It makes it possible to check if the superior strategy works and to make a standpoint regarding where your business are and where you want.

4.1.1.3 Benchmarking and ligatables in the <u>alliance</u>

In accordance to Aune (2009), Sparebank1 alliance chose to implement benchmarking as a part of their new control system. This was to compare results with competitors, making the results relative as a matter of whether they are good or bad results. In a ligatable you can see your relative performance compared to the performance of your competitors. By breaking down the superior target, being "the most successful bank" into subsidiary targets, such as having the best improvement in cost-percentage, having a return on equity that is at the same level or better than the average and having the largest growth, both in loans and deposits, you can see your performance relative to the competitors. The table under is collected from Aune (2009) and made on the basis of a table they have named "*nedbryting av ambisiøst mål*". This figure illustrates the change from 2007 to 2008 and changes form Q1 2008 to q1 2009 as well as from Q2 2008 to Q2 2010. We have chosen to edit this figure and only concentrate on the banks actually active today. We find this liga table for activity capital to be very similar to benchmarking in practice.

Table 3 illustrations of liga tables of activity capital

Activity Capital	Change 07-08	Change 1Q 08-1Q 09	Change 2Q 08- 2Q 10
Bank 1 Oslo	16,3%	13,5%	7,8%
SB1 SMN	8,9%	8,0%	7,0%
SB1 Hedmark	5,4%	3,8%	4,3%
SB1 Nord Norge	3,8%	4,7%	3,4%
Average	8,6%	7,5%	5,5%

This table is just one of the three factors that the alliance measure on in order for a bank to be seen as the most successful bank, the other two are biggest improvement in expense ratio and ROE at average or higher. We use activity capital table for illustrating about the benchmarking.

4.1.1.4 Bonus and incentives in the <u>alliance</u>

In the development of their new control system, Sparebank1 alliance implemented a new bonus and incentive system. Instead of using the traditional budget as a guideline for giving out rewards, they now use ligatables and give rewards based on the relative performance, comparing the performance up against their benchmarks.

4.1.1.5 Culture and organization

"Dynamisk styring" is a new management control philosophy and consists of business understanding, involvement and responsibility. Aune (2009) elaborates on that culture and

organization is the most important piece in the new management control system. By having a good business understanding, through that the group are more open to share information downwards in the organization, the employees can be involved on a higher level, and as a result of that get more responsibility. This makes the group in the need to have trust to their employees, both regarding how they meet targets, how they predispose their time and how resources are allocated. Rather than being told what to do, the new management control philosophy is supposed to be giving guidelines on the work.

As the circumstances they were operating in, changed, Sparebank1 alliance saw the need to change the way they performed their management control, both related to a dynamic environment, but also due to dynamic processes. As we briefly touched upon above, until 2007, Sparebank1 alliances management control systems were characterized by budgets, which also contained obvious weaknesses, as it just after a couple of months were out-dated. Budgets were a bad measurement and control tool and it was creating imperfect forecasting. It also became irrelevant when it was changes in assumptions and when it was motivating a behaviour related to getting resources and to using up the whole budget before end of the period. After doing analysis on whether they had what it demanded to implement a more dynamic management control, they decided to implement «dynamisk styring». This, with the inspiration from Handelsbanken, Statoil and Beyond Budgeting, and included relative targets, which was a methodology that did not become irrelevant and that was motivating the whole way, as well as it gave a better overview of performance. The new model was supposed to involve the whole organization in the process of setting targets and making prognosis. The year of 2007 was used to motivate the top-management, and in June 2008, they decided to start four projects within the new model, trying to get rid of the budgets. This included «culture and organization», «rolling forecasts», «bonus and incentives» and «benchmarking». (Nettverksmøte Econa, 2010). After implementing «dynamisk styring» there are still challenges regarding that there are still strong beliefs in management control through fixed targets. Departments are also unsure on how new and old tools and processes are coupled. The goal with «dynamisk styring» is to achieve a stronger position in relation to the customer, to achieve better economic results, compared to what would be possible to achieve with traditional management control and to create a organization that is innovative, interesting and fun to work in (Beslutningsstøtte Dagen, 2009). It was developed principles regarding decentralized leadership and principles for flexible and dynamic processes. Through this you wanted to delegate responsibility to leaders on lower levels, achieving involvement and an

understanding of the business. In the process implementing «dynamisk styring», there have been two pilot periods where the new model have been tested, and based on the experience in the pilots, Sparebank1 alliance are continuously developing and improving the tools and methodology within the new model. This is being done through structured problem solving and a changed culture and behaviour, leading to lasting effects. This far they have seen that by removing the budget, it have resulted in that the managers are taking more responsibility for their actions, success is viewed differently, there have been achieved a better understanding of the business and there is a more forward-out looking, than backward-in. «Dynamisk styring» have also resulted in more trust on line level, that the responsibility are going to stay with them, creating challenges regarding the power relations between staff and line (Aune, 2013). In this presentation, it is also outlined that it is difficult to find a good balance between designing management control systems and let departments and companies find out of it themselves. «You need to create an understanding»

To sum up this chapter Sparebank1 alliance implemented in 2007 a new management control system which they call for "dynamisk styring". This control system involved four elements. Rolling forecasts are meant to make it easier for the group to react on changes in the market, which are going to make them come onto the right course. To become amongst the best in the market, they use "ligatables" and benchmarking. The bonus and incentive system are closely connected to the "ligatables". The greatest and most important influence of the new management control system is the impact on culture and organization, which involves business understanding, involvement and responsibility.

The philosophy behind «dynamisk styring» in the alliance:

* Market power are measured relative to competitors

4 A competitive environment are controlled better through ambitious goals and dynamic use of tools, rather than through fixed, detailed plans

5 We use prognosis, instead of budgets

6 We want a more decentralized management control, to make decisions closer to the customer

7 We have a strong belief in performance-oriented and continuously improvements

8 Problem solving and improvements are done best of those who knows where the problem is.

(Aune, 2013)

4.1.2 Beyond Budgeting in the <u>alliance</u>

Throughout the years, big changes have happened regarding Sparebank1s ownership in different businesses. The change that had our motivation to begin this case study occurred in 2008. Sparebank1 alliance got rid of the budgets, changed their management control system and implemented Beyond Budgeting. This shows that this is an innovative bank that is not afraid follow market trends and be market leader. It is now eight years since the implementation, and our purpose is to find out if they still benefit from this process. We know from Aune (2013) for IBM finance forum that Sparebank1 found inspiration from the Swedish Handelsbanken, Statoil and Beyond Budgeting.

When we introduce beyond budgeting, we will present the twelve principles developed by the Beyond budgeting roundtable (BBRT). They distinct between change in leadership and change in process.

Table 4 – Illustrations of the 12 principals in Beyond Budgeting

Change in leadership	*Change in process*
Customers. Improving customer outcomes, not hierarchical relationships	**Goals**. Set relative goals for continuous improvement; do not negotiate fixed performance contracts.
Organization. Organize as a network of lean, accountable teams, not around centralized functions.	**Rewards.** Reward shared success baed on relative performance, not on meeting fixed targets.
Responsibility. Enable everyone to act and think like a leader, not merely follow the plan.	**Planning.** Make planning a continuous and inclusive process, not a top-down annual event.
Autonomy. Give teams the freedom and capability to act; do not micromanage them.	**Controls.** Base controls on relative indicators and trends, not on cariances against plan.
Values. Govern through a few clear values, goals, and boundaries, not detailed ruleas and budgets.	**Resources.** Make resources available as needed, not through annual buget allocations.
Transparency. Promote open information for self-management; do not restrict it hierarchically.	**Coordination.** Coordinate interactions dynamically, not through annual planning cycles.

Beyond budgeting is one of the new management control systems. The basics is that you have a control system without traditional budgets. According to Bogsnes (2009), beyond budgeting

is more of a philosophy, rather than a recipe and in which the principles outlined in the table above have a supporting role to the philosophy. In a presentation at the Bodø graduate school of business, Bjarte Bogsnes refers to and places beyond budgeting into McGregors (1987) theory Y, which is about that people want to be involved, taking responsibility, improve their skills, perform and make a positive difference. This is in opposite to theory X, where the employees are controled, micromanaged, rewarded and punished (McGregors, 1960)

Hope and Fraser (2003) argues on that beyond budgeting through its process related principles gives solutions on many of the problems of the budget. Accordning to Bogsnes (2009), you want to replace the annual, rigid budget with continous planning and including processes with a focus on creating value, rather than being caught up in rules. A problem with the budget is that the management control is to centralised, it creates low trust to your employees, and the employees are given little responsibility. (Bogsnes, 2009, s. 8). Instead, we must think in more relative terms, rather then absolute. There must be room for insights, things that have changed, management assessments and common sence combined with measurements. According to Bogsnes (2009), there must be a so called holistic performance evaluation. To the extent that there must be more dynamics in how the forecasts are planned, how the targets are set, and how resources are allocated. It must reflect the variaty in companies. Not everything must circulate around the budget year (IBID). As well as process, you must change the budgeting mindset.

Summed up, beyond budgeting was introduced as a tool for businesses to reduce the distance between top and bottom and to improve the effectivity of planning, being able to adapt to changes in the assumptions and dynamics. Instead of having measurements, like that a result above a given line is good and that what is below is bad, you must also consider changed assumptions and assessments.

It is important to understand that the Sparebank1 alliance is not in ownership of SNN or any other of the banks within the alliance, but that each of the banks are shareholders in the alliance. SNN and the other regional banks within Sparebank1 own the alliance. This is an important distinction to understand. To avoid misunderstandings, we outline that we in our analysis will look upon Sparebank1 alliance as the central unit, SNN as headquarter of Salten and Hålogaland, and that these two units are named as local.

The number one focus of SNN is to have close interaction with customers, both to keep and attract new customers. The EVP, express that SNN is working towards being a strong and solid regional bank, adapting to new demands and expectations from the customers. This

includes cooperation with the Sparebank1 alliance to strengthen the development of digital services and to develop a new unit for digital services.

4.2 Design characteristics in Sparebank 1 Northern Norway

4.2.1 Scorecard in SNN

The scorecard that we elaborated on in this thesis is something that is being adopted from the group into SNN. SNN divides this scorecard into three levels; group, region and financial centre and according to findings in the empirical data, this is something that is being followed up closely and everyone and everybody in the organization have an understanding about this card. Several highlighted that there was the rate of return that was the most important KPI to reach, and argued that this was because they needed to be attractive for foreign investor. Regarding position, SNN has a vision to be number one in the northern part of Norway. When it comes to customers, they want to have happy customers with an index over 70, and this goes down through the whole organization. The same goes for employee satisfaction, just that this should be 80. Quality is more complex to deal with according to the CFO. He said that when it comes to quality it is all about what we measure, it is very wide. Afterwards we continued with:

"When should we measure quality, and what should we measure? If we measure wrong then make a loss and report, how do we write letters, any spelling mistakes or incorrect language? Do we have to low interest rate? All in all it's about the quality of the organization, not what we measure to get there. The KPIs differs the lower you go in the organization"

When it comes to economy is all about ROE and to preventing a new financial crisis. The CFO said:

"I think that we in the group management have manage to get the financial centre to understand this scorecard and if this is not the case, this is an interesting finding."

Table 5. The scorecard used in SNN

	Position	Customer	Employee	Quality	Economy
Group	Number 1	TRIM > 70 in 2018. Clear progress 2016	Indicator engagement > 80	1. Loss given <0.15% 2. Valuation collateral	ROE> = core> 14.5% LCR> 0100% Liquidity indicator 1 and 2: 100 and 105%. Deposit Coverage> = 75%
Region	Net number of new customers PM and BM (Simplified)	TRIM > 70 in 2018. Clear progress 2016	Indicator engagement > 80	1. BM share high risk PM defaults> 5 dgr including loss marked 2. Valuation collateral	1. Risk-adjusted returns 2. Earnings probably after loss shared common costs 3. Deposit coverage> = Measures
Finance centre	Net number of new customers PM and BM (Simplified)	TRIM > 70 in 2018. Clear progress 2016	Indicator engagement > 80	1. 1. BM share high risk PM defaults> 5 dgr including loss marked 2. Satisfy audit reports	Earnings in probably after loss before common costs
Changed 2016	Unchanged 2016				

The balanced scorecard is something that can be beneficial for an organization and should not consist of too many factors or KPIs. The EVP of northern Norway replied to us regarding KPIs:

"I think that things should be simple and clear for my employees. That's why I have only 5 main KPIs where we measure and sets goals. In addition to my 5 areas, I see that some of the leaders of financial centre make goals and measures in addition to my 5 KPIs. For me this is ok, but I am always afraid that we get to many goals so the focus is lost. In some newspapers I have read that people bragging about having over 200 KPIs, that's extreme. I don't believe in having to many parameters, I like having a few and if there is a problem, we can easily drill down to the core and see where the problem is. "

So this scorecard is something that everyone is working towards, and the goals that are set should be to some extent reachable, at least according to the EVP of Salten:

"Its really important to have a reality check down at financial centre before setting the scorecard goals. There is no point of setting the goals to high. If you work 24/7 and still can't reach your goals, you will end up with frustration and dissatisfaction."

The scorecard is something that is approved by the board and changed if necessary to fit every individual financial centre. According to the EVP of Salten, they try not to change so much. She replied:

"We divide our bank into three main sections, the group, region and financial centre. Within this figure can we change if we have to, we can also take out some parameters and benchmark on a yearly basis. But the most important factor here is the rate of return since we have to be competitive. This parameter goes all the way out to the group. This goal goes all the way through the organization. When the scorecard is sett, we try to deal with this throughout the year."

Down on financial centre level they don't share the same view as the group leaders. They think that the scorecard doesn't only exist 5 KPIs. The DM in Bodø told us:

"The EVP of SNN has as a vision to simplify when it comes to measuring an KPIs. But some times in practise things don't function as well as in theory. E.g. regarding the scorecard we use on the daily basis doesn't consist of only five KPIs. For each KPI we can need to be good at lets say four other KPIs in order to reach it."

It's important to not only look at the scorecards all day long. Then we could not do anything else. The BM in Bodø addresses this problem and clearly argues that growth with good quality is a key in SNN.

4.2.2 Benchmarking

Benchmarking is also a tool that can benefit the organization in the way of understanding how ones organization works with others. In our case, this will be other financial centre in SNN and competitors. In theory, there are two different approaches to benchmarking. The first one is industry/ sector benchmarking, this compares performance against the other organization within the same industry against a set of performance indicators (KPI). The second approach is called the "best-in-class" benchmarking, this compares your organizations performance and capabilities against the best performer in the sector. In the empirical data there were several things that we found regarding benchmarking. We saw that the view on benchmarking differs depending on the level in the hierarchy we looked at. On top of the hierarchy the EVP of SNN stated that the benchmarking is used to follow SNNs development in the market. He told us:

"We uses benchmarking to see where we are against each other but also us self. In addition to this we do benchmarking financial every quarter when data is available, this is a thing we do partly in the alliance and partly our self. "

It was also argued that there had been a strong individual focus in the bank previously. The EVP of Salten told us that they have done benchmarking with operating profit on employees. She also told us:

"We get benchmarked on every area, e.g. we benchmark region vs. region, financial centre against financial centre. We also try to set them up so similar as possible in order for the customer to get the same feeling if he or she walks into the bank in Bodø or in Tromsø. Another reason for us to make things similar is to easier benchmark the different centres against each other."

Down at the financial centre level they feel benchmarking different from the top level. The DM at City Nord told us that they measure against themselves and sometimes City Nord against Bodø but sometimes to other actors we know operate in the same market as we. He also addressed an issue:

"I wish there were more reports comparing us to others in the group and market. I know it's hard to find something to compare because every financial centre is different with respect to number of employees, number of customers etc."

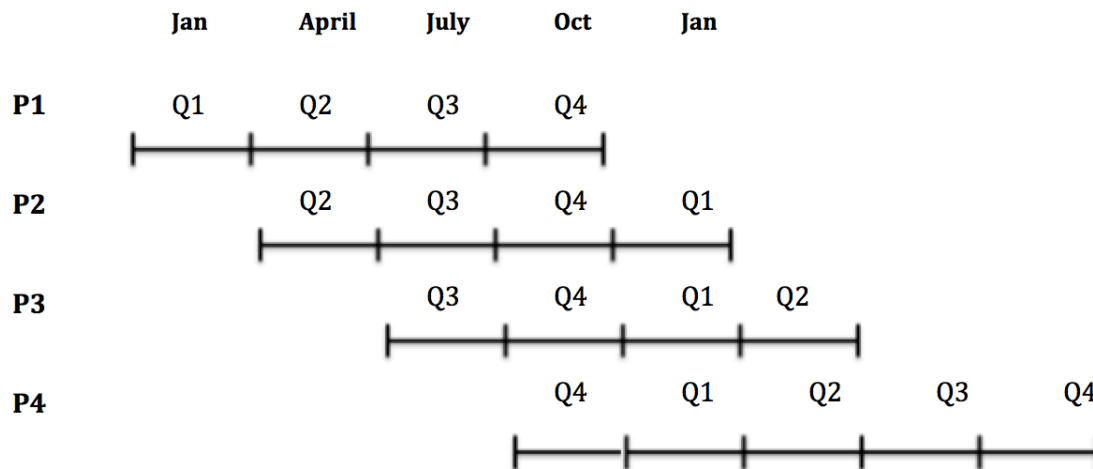Also at the financial centre in Bodø she addresses some issues with benchmarking, she told us:

"Previously we have had a strong individual focus here, and we benchmarked employees against each other. This is an issue with benchmarking that I feel. This has been changed from individual focus to team focus. Now benchmarking takes place on team vs. team. When the focus is on individual level, it's easy to lose focus and start labelling employees."

Another tool that is used in SNN is rolling forecast. Forecasting is something that can be useful in the short term, and is often build on trends. In the interview with the CFO he told us:

"We use rolling forecasting quarterly. Planning period gets shorter and shorter the closer we come December. Rotate it with 12 months' forecasts ahead. Nothing changed, it retains unchanged."

This is also the practise in the alliance, the 12 moths forecasts developed every quarter. The exception is when forecasting the forth quarter, then they forecast for 15 months.

Figure 5 illustrates the rolling forecast in SNN.

	Jan	**April**	**July**	**Oct**	**Jan**

P1   Q1   Q2   Q3   Q4

P2   Q2   Q3   Q4   Q1

P3   Q3   Q4   Q1   Q2

P4   Q4   Q1   Q2   Q3   Q4

When forecasting in quarters it is less job then doing it on a monthly basis. According to the EVP, forecasting is to some extent confusing in the beginning. He said that he sometimes are mistaking forecasting with budgets or targets. The DM in Bodø shared that there could be a problem with the structure being top-down and not bottom-up as it should be while doing prognosis. In all the interviews we asked the informants if they were satisfied with the budgets, which was their old control tool. They all said that things are better now. Some even reasoned that with the time that they were in, removing the budget was the best. At a certain time budget control is ok, but in dynamic environment they all agreed that it did not fit.

4.2.3 Package of ideas

Talking to the new EVP of SNN, we found out that he tries to simplify as well as making it clearer and more consistent for the employees. When we asked what he would do if he were to do something different, he replied:

"Simplify even more. Simplifying can be seen on as my main driver in my structure. Over 200 parameters in a scorecard doesn't function as well as you want it to, that's just reality. On the same time as I want us to be big, I want us to be small enough to turn faster then the big ones. Three words that fit my leader structure are simple, clear and consistent."

As we now know from his statement, the EVP`s intention is in theory to simplify, clarify and make it more consistent for the employees. Based on previous theory, we know that theory

and practice are often two different things. In order to check if this goes all the way down to financial centre level, we will now retell how the other informants will describe the new leader structure.

The DM in Bodø replied:

"I think that his intention is to make it easier for us, but it doesn't necessary means that it becomes simpler on operational level. E.g. this process of KPIs, in the scorecard we say that we should be measured on 5 KPIs, but in reality its more. Every month it gets send out statistics on something, and then it becomes a new KPI to some extent, and the employees' starts focusing on this. If I were to change something, I would address this problem of not involving employees on different level. It's often the employees down on local levels that can feel where the problem lies. I know for a fact that there are many extremely good employees in this organization who needs to use their potential."

The scorecard that they are talking about is a scorecard we heard about in the first interview with the EVP of Salten. She told us that everyone knows this scorecard and they uses it a lot. The scorecard is designed with the help of the CFO. The EVP of Salten told us the following:

"EVP of SNN if very focused on simplify things, but for me in addition to this I am more customer oriented. Also, I believe this to improve further internal processes and interaction. This, I believe that we should do to shorten the psychological distance between top and bottom. I also think that he tries to clarify more due to his implementation of frameworks. Every leader decides within the framework, this also makes it more consistent in some way. Decisions are more made local this way, and don't need to travel long distances to be decided."

We also wanted to hear what the BM in Bodø, Rognan and Meløy had to say. He replied:

"What is done about this frameworks and being able to make decisions on local level makes it simpler for us. When this is said, I think that the frameworks should be more on what you developed not on how you develop it. I'm the type who believes that we locally have greater capabilities that allow us could create even more with even slightly larger slack."

In the interview with the department in Harstad we got the feeling that they are very satisfied with the leader and his structure. They replied:

"It has been more simple and we have more space to local decision making. For me as a newly employed BM it was very hard in the beginning. I felt like I had so little control and

dint quite see what went on in the bank. It was much bigger room for individual solutions on local level, this in practice makes is simpler for local level, but it was hard for me when I just started here. We have this process where we pick one of the five KPIs and we elaborate on what KPIs we should focus on to be able to reach one of the five KPIs. The intention of the scorecard is to focus on five areas, but in practice there are more, which makes it a bit more complex then intended."

The DM at City Nord is compared to BM in Harstad, newly employed. She told us:

"Frameworks are something that I am not used to work with. Already in the interview it was mentioned that there was a new leader and new thinking, which they were happy with. Nothing negative about the former head (different time-different leadership structure). That's how the market has evolved (more dynamic). The new EVP of SNN was the right man to take over, and also takes a bit of the old identity with him. I feel if I were to name his structure it would be simple, clear and consistent. His vision is crystal clear, to be most present in Nord Norge."

The CFO told us the following:

"Within the scorecard, we have employee satisfaction with respect to leadership. It's easier to discuss with the new EVP of SNN because he goes deeper into the different processes. One thing he did was to focus more on the core business. This makes it easier for us to really do what we need to do and not focus on business that is outside the core of finance. "

From the interviews we got little by little knowledge about this scorecard that they are using. Many of them said that they though everyone knew this scorecard, if not, they should. The scorecard consists of mainly five KPIs, but based on the interviews there are some trouble of just keeping them to five.

4.3 Local level materialization

4.3.1 The process and the actors

Sparebank 1 consists of different regions and banks. In SNN they have two regions, Salten and Hålogaland. When having different departments in different places communication is more important then ever. When having a brand and an image you want your departments to look more or less the same, here again communication is the key. Hierarchal management structure can in many ways be seen on as out dated in SNN, especially since the new executive vice president (EVP) started in 2012. The EVP of Salten replied:

"I would say that I feel the change more then when we got the new EVP rather then when the alliance applied in 2008 this dynamic management control which I haven't felt that much from. Now we are more controlled by framework and I can freely decide what happens within the framework. I think this is a good thing, and makes my work more easy and flexible. I feel like I have been delegated more tasks but I also fell that I have a saying because I am a part of the group leaders. Region leaders are now a part of the group."

While referring to this happening in 2008 it is necessary to know that this occurred inside the Sparebank 1 alliance and not a happening inside SNN. While interviewing the EVP of Saltens under leader we got more knowledge about the local level. He has the position as a bank manager and has responsibility not only here in Bodø, but also Rognan and Meløy. We asked the same question about the event in 2008 in the alliance and he replied:

"I don't think that dynamic management control is applied down to us, but I can see the restructuring we do follows the changes in the market e.g. adjustment regarding employees. I could see that what we are doing is to some extent a consequence of the same mindset of dynamic management control, and I think this mindset is a base in many of the things we do. I also believe that we have potential to grow further if we further open up for decision-making on local level."

Under the bank manager we have the department manager of City Nord in Bodø. He does not have as extensive experience in SNN but has a background DNB earlier. We asked him the same question regarding this dynamic management control that was applied in the alliance, and also what he felt different when started working in SNN. He then replied:

"I have now worked in SNN two years and previously DNB where they had traditional budgets. When I started in SNN they already had got rid of the budgets and replaced them

with forecasting models. I haven't really felt this change on the daily basis, only when the planning and the performance targets are set".

Similar to the department on City Nord, the department in Bodø also have a department manager. This manager has a long career within the SNN system. She has been working in SNN since 1982. By including her in the informant bundle, we get to see the bigger picture, and the historic view. She replied as following:

"I can't say that this appliance if dynamic control in the alliance has had any changes for me and my work day, at least I haven't noticed. One reason for this is because I tend to be too operational in my work. We all take the strategic guidelines into account, but it is not the main thing steering the execution of it. I can't see any direct link between the implementation and the control of our bank this way."

Talking to the CFO, chief financial officer in SNN, we got the "economic" point of view. Also he has a long career in SNN. He replied:

"We in the banks (ref, Sparebank 1 banks) do not notice the choice of management control in the alliance. We in SNN has balanced scorecard, but we use it as an ongoing and constant changing process. We in SNN works within four dimensions, things we are measured on externally. Financial results, solidity should be so and so high, ongoing economic return should be so and so high, and where we have a goal of being leader when it comes to internationality."

We also talked to the bank manager and a advisor in region Helgeland. Due to time issues, we only had a group interview with them together. The bank manager had only 1,5 years of experience in that position while the adviser had longer experience, as well as a support function for the bank manager in Harstad and Narvik. Since the bank manager only has been involved in the reorganization phase, we don't see the need for asking about previous happenings. The advisor replied:

"I haven't really felt the appliance of the dynamic control in the alliance, but I feel that the most changes came with the new EVP of SNN. Today are we more line controlled, the signals goes from bottom and goes up, previously the directives came from top, and we had to follow. "

Going higher up in the leader "hierarchy" we talked to the EVP of SNN. He indirectly

confirmed the thing the EVP of Salten said. He took over in 2012 and has previous experience in Dansk Bank. He described the bank as a well-driven bank but the results varied a lot. He elaborated the following:

"The bank seemed in good conditions when I arrived at the "wheel", but I saw that the results of the bank was not so stable and was very volatile. The reason for this I think is that SNN previously have been doing a lot of other things beside the core business, and the things may also be far away from the core activities the bank should do. I can mention business in Russia, direct ownership in markets outside bank and finance. So my first strategic move as an EVP of SNN was to clarify what we should and should not do, sell in Russia e.g. and sell Bank1 Oslo. The other thing I did was regarding to control. I wanted a flat structure and many may think and feel that they were promoted and was delegated more responsibility. When it comes to change, I feel that this is a change-willing organization but that it may occur resistance to change. I have not felt directly on this resistance, but I hear when my leaders reply to me if something doesn't function in practice."

4.3.2 Experience of the actors

As briefly introduced in the methodology chapter but continuously found in empirics there was a new EVP entering the northern Norway department in 2012, and as mentioned before, the hierarchical business structure is not something that is the fundamental structure in SNN. We will now see how the changes of structure and appliance of new control systems are generated from top to bottom. The EVP of SNN told us the following:

"The bank and finance is in constant change, and we need to change in order to manage to meet the criteria to the market. In addition to the strategic and control changes I implemented framework and started to use it more and more active. That the leaders can and will use the frame actively and that each department can have a leader that controls this frameworks. I want leaders to have space to be leaders. I have three main principals if I could say, and these are "simple", "clear" and "consistent"."

Need to remember that the EVP of northern Norway is the top of the hierarchy, so we asked the question further down in the hierarchy as well to see to what extent this control system actually was implemented on its way on its travel down on local level.. The EVP of Salten replied:

"When I started in 2003, we were much more top-down management, which worked at the time. One of the things the new EVP of SNN did was to make all region leaders full worthy

member of the executive management of Sparebank 1, so the management got 5 new members. In this way, he allowed more information and reflections from the local markets when discussing a case. I think that this makes the bank more market oriented. This is not in any way critic to my previous boss. The market is changing so fast that we need to adjust and read the market earlier, all the time. One of the main things I can say about the new leader philosophy is that it is more frameworks oriented. Everything within my framework, I can decide. I feel like I have "room" to be a leader. I also feel that decisions are made faster due to this framework."

Talking to the bank manager in Bodø, which has direct contact with the financial centres, we got a broader perspective of how they operate in the bank. The BM said:

"The EVP of SNN, is clear on one thing, we should be there for the customer, but we should also have local authorization. Sometimes, I don't agree that the bank is quite where we should be, and then I can easily mingle with the EVP and further develop what I should have been done. Not only for us, but also for all large organizations things may not be so clear as the leaders want on the bottom line. E.g. if I were to be in charge of the bank, I would sometimes do things different then the leader does now. This is not a critic to the EVP, its just that we know the local market better then him. I can say that I have not felt that the "walls" have moved enough, maybe because he doesn't want to. By setting the goals precise and tight I think there will be elbowroom. After the EVP of SNN came, we have been more frameworks oriented. He also started a "run" that I think is important, he clarifies a lot of the things we might take for granted and he wants stronger and fewer units. He also changed so the region leaders became worthy members of corporate executive committee.

While talking to the relatively new bank manager in Harstad and the advisor we got the view from Hålogaland as well. They replied:

"One of the things we feel is the cooperation between the different departments and regions. We can say that the way from top to bottom is smaller. We also feel like we now can participate in a larger scale, also on strategic level. We haven't felt any resistant to the change in leadership either. It is clear for us that the new change in structure and control brought a lot of benefits for our organization. E.g. now is the region EVPs part of the corporate executive committee.

Talking to the department manager at City Nord, we were able to improve our knowledge on

how the financial centre level was acting towards the change. When we asked him about the new leader, we found out that he had only worked in SNN only 2 years, so we asked about the difference between SNN and his previous working experience within DNB (the Norwegian bank). He replied:

"First thing I noticed was the distance between leaders and office workers, it's very short I worked in DNB for eight years and I did not meet Rune Bjerke (the leader), EVP of SNN I met already first day. My boss EVP Salten, I meet with her all the time. I don't feel so much change from DNB and SNN other then the distance and framework. We use more framework, and decisions are made more on local level comparing SNN and DNB."

Going further talking to the DM in Bodø, she replied:

The new EVP of SNN came in and started the process of making the structure more flat, he wanted more engagement from the employees in different processes. Previously we compared employees with each other and had quite intense individual focus, now the comparison stops on team level. Sometimes I feel like I'm not that included in the daily business, but I feel like we have a saying in some cases. One of the things I see is the willingness to change with respect to the time we are in now. He knows that the digitalization part can't be ignored. He is willing to change and the actions to make the changes. His intentions are to make it easier, but necessary it doesn't always become easier. One of the reasons I think for this is that there will always be more KPIs then it should. The scorecard we use today consists of 5 measures, but in practice there is more. This is in many ways difficult to work towards and against."

To get a grip on the economic point of the new leader philosophy, we asked the CFO to explain his philosophy more to detail. He replied:

"The new leadership style is very different from the previous one. The previous one was good at the time, and he knew every detail about the bank. The new EVP is more delegating, I feel like I can decide more then I did before. I have also more to do, and more interesting things to do. The new EVP is very customer oriented and visits them often, also in other regions. At the same time he is less in his office. The new EVP is very discursive, listening, asking about employee view and develop reasoning together. The previous EVP did not change his view directly and input was not equally taken to account. The new EVP is more inclusive and is much more dialogue characterized. He has high status internally among employees. He also tends to go further in the discussion, also in finance.

4.3.3 Role of tools in communication

We can see from several of the interviews that communication has been important for them. Not only in the alliance, but also regions. In order for us to understand the communication in the organization it is necessary to know the structure of the organization.

As you might notice in the method chapter, SNN own 19,5% of the alliance. You might also notice that the alliance, here referred to as Sparebank 1 Gruppen AS consists of different subsidiaries. The new EVP of SNN only decides what should be done in northern Norway, but for us to see if there is any type of communication between the different banks, we asked the EVP of SNN questions about communication. He replied:

"When it comes to cooperation I have a close relationship with the EVP of Midt Norge. This maybe because he has been a competitor to me when I was in Danske Bank. I also have closely cooperation with others to. When it comes to communication on regional level, the communication and cooperation is big. One thing is the alliance, which we decide and own. In the alliance we develop IT solutions, brand and marketing. On every Monday more or less have we a conference call with the biggest banks in the alliance. An alliance is in many ways rear in the financial market, but this one has existed for 20 years. As for communication down in the "hierarchy" I am depending on good under leaders to generate the information that I give."

So the EVP says that there is a lot of communication between both regions and banks. To test this argument we asked the same question to the other employees. The EVP of Salten replied:

"We are very good at using benchmarking here. If we see that another department is doing very well, the reason is just a phone call away. We cooperate good within the region, bank but also in the alliance. In this way we can get inspiration from each other, but it up to everyone to act and learn from others. When it comes to cooperation and my ability to reach down to financial centre, I must have good leaders under me since almost all information goes thru me and down. It is important that the information doesn't stop with me, but reach all the way down to financial centre. Now my leader group consists of three leaders that report to me. This structure will you find in other regions too. I have monthly follow ups with my leaders, where we go thru the scorecard with the KPIs. We also make quarterly reports which I go thru with the EVP of SNN. "

Regarding the communication and cooperation, the BM in Bodø replied as follows:

"One thing that is special with our alliance is that we own the alliance not the other way around. We cooperate on things we want, e.g. insurance and pension, as well as marketing, IT and developing. When it comes to cooperation for me, the location is the most important. By that I mean that I cooperate more with the guy that has the same position as me in Tromsø. The reason for this is because Bodø and Tromsø are very similar in many ways, e.g. they are the two biggest private offices in the bank and many challenges are similar. The competition is also similar, and we both have "mall-bank". When it comes to communication between top and bottom, I think we are quite spoiled. We have a flat structure and there is always an open door. I don't feel like there is a problem getting the information out to my employees, and I don't feel an issue being heard at the top level. E.g. on every Friday, me, my boss and my sales leaders have a conference call where she gets us up to speed of the relevant things, typical 15-20 minutes. When it comes to the other EVs I need to go through my boss, not that this is a problem. Local in the region Salten, the distance from top to bottom is short, a bit longer in Northern-Norway."

By talking to the department manager in Bodø we wanted to check the arguments the EVP and the BM had. She replied:

"Us, financial centres cooperate closely, so inside the region we cooperate closely. Outside the region is mostly Tromsø we cooperate with, this because they are very similar to us. We had a tight cooperation between the six biggest departments and had weekly follow-ups and sales support before. I found that very informative and fun. Otherwise isn't there any arena where leaders share knowledge and leader experiences. But the distance is short just pick up the phone. But I think we could be better to contact other financial centres, and take advantage of the alliance more. When it comes to communication between top and bottom, my suggestions goes to the BM or directly to the EVP of Salten depending on the situation. I have the impression that my suggestion is taken to account and reaches the EVPs if there is a need for that. For me I feel that I manage to give information down to the advisors."

In order to check the arguments of the BM and EVP of Salten, we also asked the DM of City Nord and he replied:

"I don't feel the cooperation on the daily basis, but its clear that we have large benefits of being in an alliance when it comes to products and services and I know that we are cooperating closely with the each other. I don't have any cooperation on the daily basis because I am to operational. But it's clear that we can focus on being a bank for Northern-

Norway when the alliance takes care of the branding and marketing. It is when the decisions and new solutions are developed that the cooperation takes place. When it comes to distance, I can say based on previously experience from DNB, that the distance is much shorter in SNN. I have at least weekly interaction with EVP of Salten, and I know that she has a lot of communication with EVP of SNN. Proximity to the decisions taken and information flows more easily to our level, and then the road of the decision is shorter and walks through fewer joints. It added up to a decision-making structure where there is a lot of freedom out on local level. An example of this is credit authorizations, which are handled locally. Some matters discussed in two parts or layers. We on local level have full power and authority locally."

Talking to the CFO we got another view of controls and communication. This from a more financial standpoint. He replied:

"Cooperation inside SNN is very tight. As for me I have monthly meetings with different agendas consisting of fixed points such as accounting reporting, strategy and credit application with my boss. All in all I feel like there is a good communication and dialogue here. We have frequent meetings that can last for a day. We also have a good tone within the board and between the board and the management. As for alliance cooperation we have a good cooperation, but we don't share stock market sensitive information. We also have some informal cooperation. E.g. CFO meeting by phone every 14 days, as well as meeting once a year consisting of financial manager forum and treasury forum. In this meeting we try to coordinate us, speak together to exchange views and develop reasoning together.

To check if the findings can be generalised to Hålogaland, we asked the BM and an advisor there. They replied:

"The cooperation between SNN is good. Previously we had 4-5 regions, where there was cooperation within the regions. Now the regions have financial centre, which is easier to cooperate with. It is important to collect and use the knowledge within the alliance as well. As for me as a BM, I have a tight cooperation with the other bank managers in Hålogaland, either we meet in person, or have phone meetings. We also have some informal meetings. The distance to the top is shorter now, since the group management consists of EVPs in the different regions. For us we feel more like a financial centre now rather then we did 10 years ago.

4.3.4 Environmental issues

As for this section, we try to enlighten the importance of the follow up on the market that you operate in. So how do they read the market and how do they manage to invest so much in finding new platforms to capture the customer? After asking this question we felt that even though not so many knew about dynamic control, there were some clear similarities between dynamic control and how they read their surroundings. To this the EVP of northern Norway replied, with an especially focus on surroundings and new platforms, this:

"We have several ways of reading the market, one way is that we have a monthly monitoring, but we also buys services so we can see what kind of happenings where is in the market. Another way is that we are very good at benchmarking financially every quarter when we have data available. This is something that we do in both the alliance and ourselves. As for me, I like to visit my competitors. When it comes to new platforms to reach new customers we do a lot of this in the alliance. E.g. types of products, channels, customer solutions etc. This type of investment I consider very important. Because of the investments are brought up to alliance level means that we can focus on being an independent Northern Norwegian bank. There are many benefits and one is that we share the costs. We can't do so big investments such as the mobile bank by our self. Now we are in a time that changes the way the customer uses the bank. One reason for this is the mobile phone, which was more or less unknown for 5 years ago but is now a main channel in the bank. I think we have over 60% of the transactions made through the mobile app."

The EVP of Salten knows the local market in Salten better then the EVP of SNN. So we asked her also about surroundings. She replied:

"When it comes to new platforms to reach the customers, I think this is an area we have dedicated too little time. One thing that has been done now is that we have established a new way of investing in this. Most of the investments are made within the alliance, where all owners invest together. This allows us to focus more on this together rather then alone. We couldn't undertake such an investment on our own. Then it's up to us to sett this new technology into practise in the bank. If we manage to make adjustments based on their local knowledge of the market and resources I think this should make better results than if everything was controlled from outside such as a hierarchy where you have little judgements. We also benchmark a lot against the market so we know where we are compared to the competitors, and as I mentioned before, we have 5 scorecards that we work against."

Talking to the BM in Bodø, Meløy and Rognan we are now moving closer down to the financial centre. He replied:

"We have several measures, but in everyday life we have to focus on the important things and the things that generate surplus for you. If we were to look at measurement parameters all day long, we wouldn't have time for anything else. Two important words where I work is growing and good quality. Today we have 5 strategic objectives; most satisfied customers, most satisfied employees, etc. and at the bottom it says quality in everything we do, so I work me 1-5, so we will have growth with good quality. I think if you get to work with me when you are quite happy when you get to be involved in such a journey. To achieve it, we have to conduct ourselves so that customers are satisfied. Then you are inside a circle. When it comes to surroundings we have now witnessed a revolution. We did in 2012 have 0% of the transaction in the mobile app, and last year we had around 60%. That is done in three years. We have also developed a new app called Mcash, to make the everyday life easier for the customer. This sort of investments in new platforms we do in the alliance. Our mobile bank, our web bank solution and Mcash have we bought together. Investments like this cant we undertake in SNN, we don't have the funds for it. Without the alliance couldn't we been a region bank."

Going further down in the hierarchy we talked to the department manager in Bodø, she replied:

"We don't have any local measurement, but we get measurements once a year. Both in regards to sales, customers and insurance, but we could have some fresh numbers to compare with. When it comes to new platforms to reach new customers, all investments with respect to this are done in the alliance. This type of investment is really important. There are many benefits regards to this one big is the cost. It is expensive to develop. When we have all big investments in the alliance we can focus on the bank part and the customers. One big revolution is this mobile bank that had 0% in 2012, and now over 60%. All in all the alliance helps us do massive marketing and becoming a leader in the market."

Asking the same question to the DM at City Nord we can compare those against each other. He replied:

"What we in everyday feels the most is the competition for individual customers. We have a good overview of the market situation. Competition against local competitors and Internet banks nationwide are highly visible in daily life. We also have a good overview of

what others do. It's tight guidelines from the Financial Market Authority on a few things. How rules are exploited differs from bank to bank, via customers, close to the market situation. Know what our limits are and what the market says and does. Typical things the EVP of Salten requested are those who sit at the customer level is partly in relation to things she wants input on from departments (those who knows the market) to discuss how to deal with various issues. When it comes to new platforms to reach new customers, we invest inside the alliance, Sparebank 1 group. In the alliance we invest in things we don't can do as an individual bank. Both mobile bank and the new Mcash is a result of investments inside the alliance. We have a much bigger chance of reaching customers due to bigger marketing budgets. We also benchmark against our self and our competitors. Due to the alliance we can be a northern Norwegian bank and focus on our region."

Establishing contact in Hålogaland we got information on the situation in a different region. The BM and advisor in Hålogaland said:

"Here in Harstad we have four competitors, and everyone is paying attention to each other. The previous year we have experienced an interest rate war. We also do a lot of benchmarking against our self and our competitors. We have a big benefit when it comes to development and investments, everything is done in the alliance. In this way we don't have so big cost and we can focus on other things. We have good products and we are competitive. In this way we can fight with the biggest actors in the market.

Talking to the CFO we found out how the finance department looks at it, when it comes to surroundings and new development. He replied:

"We follow digitalization carefully. We also have a process where we look at where many local banks should be. We follow inflations, deposits and loans carefully. When it comes to development and investments it is more or less invested on inside the alliance. We have online banking, which is very important. We just launched a new app called M-CASH. This was developed in the alliance. We measure our self-based on a scorecard of 5 elements. These 5 elements in the scorecard are made so the banks can have a point to work towards. On the basis of growth in deposits, lending growth and elimination of this the prognoses were made. But because of different views including tactical, pessimistic and optimistic estimates the scorecards were made. We distinguish between prediction and performance requirements. If one department functions well, doesn't mean that they should necessary grow further, but

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maintain. If a department doesn't function so well or is in a growing phase, corrective measures must be made.

4.4.1 Conclusion to Research questions

We will now based on the findings in empirical data, try to answer the research questions that we introduced in the introduction. These questions are highly relevant for us to answer if we want to answer our problem statement.

Conclusion to research question 1

Research question 1 in our thesis is *"How is the design characteristics submitted by the HQ?"* Our analysis shows that the employees are satisfied with how the hierarchical distance between the group and regional level have decreased. One of the motivations behind the new model was to give the employees more responsibility to make decisions. The department managers feel that their inputs on operational changes are more taken into consideration at the board, and the EVPs out on the departments feel that what they bring to the table at the group, also with the inputs from the financial advisors are taken more into consideration.

Compared to the budget, the new model is understood as simplified, having less micromanagement, working within a framework. One of the main motivations of the EVP was to make it simpler and this was also something that on local level was repeatedly pointed out as the main characteristic of the new model. When it comes to the economic model "dynamisk styring" implemented in the alliance, few of the employees had actually heard about the term. The implementation was something that they understood as a new philosophy that the incoming EVP of Northern Norway of 2012 had introduced, but with at least inspiration from "dynamisk styring", which in 2008 was implemented on the level of the alliance.

The new model and philosophy was removing the budget, because it was too rigid and too quickly becoming outdated. The new management control philosophy was expected to make it more consistent by using prognosis, having quarterly updates. All in all, the new management control system have helped SNN to be able to adapt to the changing circumstances, due to the dynamic environments.

Conclusion to research question 2

Research question 2 in the thesis is *"What are the design characteristics of the new MC tools, seen from the local level?"* On every meeting we had with the organizational members, the

informants were referring to a scorecard, where certain targets were listed, including position, customer, employee, quality and economy. To these, relative targets are connected, having separate targets on group, regional and financial centres level, relying on KPIs. They experienced the new MC tool to the extent that it was a tool to balance empowerment and control. The informants that have working experience in SNN from before 2008, experience that it is less monitoring and that the decision making has become more decentralized. In addition to this, we found out that this scorecards intention were to make it easier for the employees, but somehow become more complex then intended. This problem is a problem that we have elaborated on earlier, in chapter 4 and in section 5.3. Another design characteristics we found were benchmarking. The benchmarking is understood at local level as a tool to see where you stand in the market compared to your competitors, but also compared to other financial centres and regions. Before, SNN used benchmarking as a tool to see how employees generate value. This way of benchmarking was seen on as a labelling process and some employees could feel that they were hung out. The current benchmarking stops on team level, so it is now team vs. team. Local level sees this way of using benchmarking as a competitive situation, which can benefit both employees and the company, in our case SNN.

Conclusion to research question 3

Research question 3 in the thesis is *"How are those tools involved in communication within the headquarter and local level?"* The reason we wanted to answer this research question is because we wanted to see if the design characteristics were in any way correlated with the communication between the HQ and local level. For us to be able to answer this question we need to further describe some of the key aspects in this question. While referring to tools, we talk about the design characteristics elaborated on in section 4.2 where we found it to be three tools that we could name: the scorecard, benchmarking and rolling forecast. When we say the term local level, we mean direct contact with financial centre. So in our thesis based on empirical data we found out that present the communication is more strongly correlated with the tools because the employees feel like they are more involved in the process of either setting numbers correct or just sharing their opinions about things they want to change or further develop. Previously the problem had been lack of communication between HQ and local level, and the employees based this accusation on the time they were in, and not the former EVP. The scenario we just said about the scorecard fits well for rolling forecasts and benchmarking too. The employees on regional level, which is the connecting link between the

financial centre and the group, are more involved in tools like forecasting and benchmarking present.

4.4 Summary of empirics

In the empirical data we found several interesting findings but in order for us to analyse and answer our problem statement correct, we have decided on introducing the three main findings now:

1) **There was a mismatch between top and bottom when it comes to implementation and use of the new MCS**

2) **The implementation process was strongly individual driven due to background and motivation as important factors.**

3) **Communication issue due to the scorecard and KPIs and possible lost in translation?**

4) **Role of alliance – power of the board and influence by benchmarking on two different levels.**

The research model (figure 2) below is made by us based on the theory and knowledge we had at an earlier stage in the research process. As this was early in the process, most of the knowledge was theoretical. After getting a hold onto the important findings in the empirical data, we were in a need of a new figure. In this next figure, shown below, we will try to build upon the new knowledge we have built up throughout the research process.

Figure 6 Research model of SNN based on empirical data
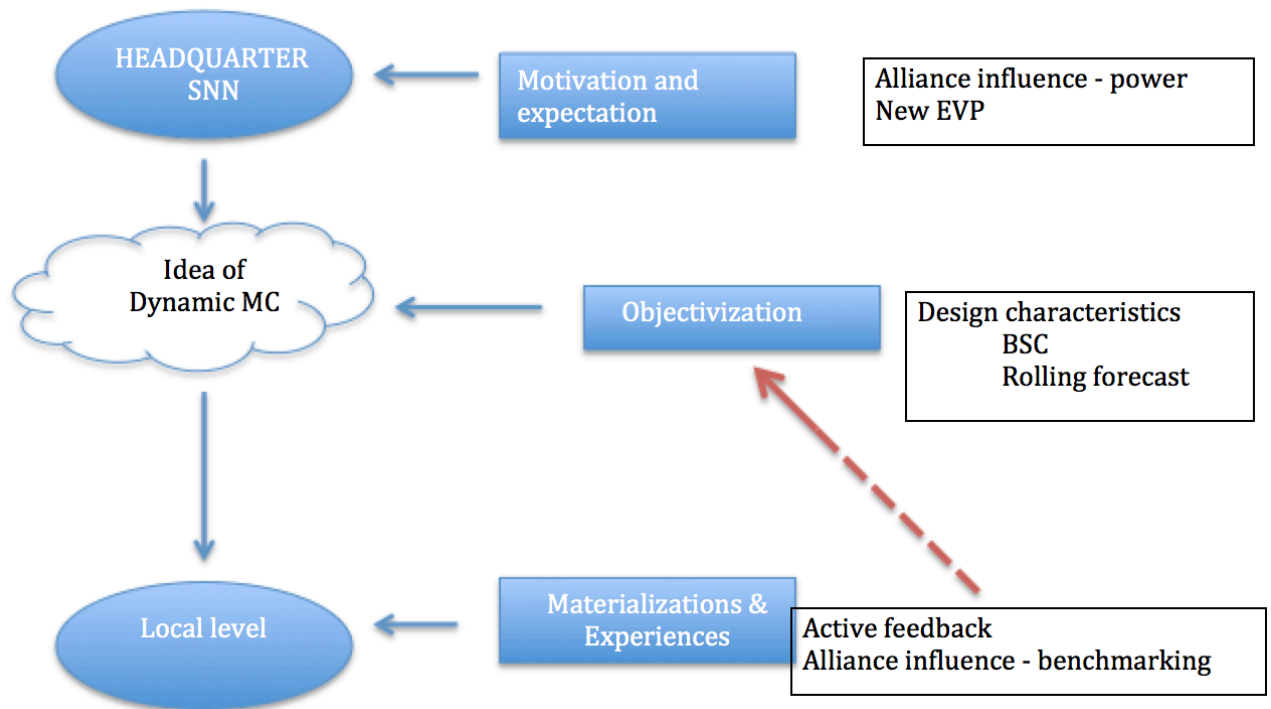
Before we go further, we need to make sure that the figure above is fully understood since we have drawn new arrows and added new text to it. The circles are still the objects and the squares, different line of enquiry, which are factors that we think are affecting the object. After making the interviews, we found out that there are many similarities in the management control system in the alliance and the management control system in SNN. We have reasons to believe that the link between the alliance and SNN is the new EVP in other words very individual driven. In almost all the interviews, the informants shared that the changes that was made did not happen in 2007/2008, which it did in the alliance, but later in 2012 when the new EVP started. We also found out that the alliance influences SNN on two different levels. When it comes to the HQ, we found out that the alliance influenced the EVP when it comes to use of power through the board. How this idea is implemented on local level is happening with objectification, which consists of the design characteristics such as BSC and rolling forecasts. We further found out that the idea of dynamic MC is influenced by local level, which is illustrated with the red arrow in the figure. We have decided to call this active feedback. The influence of the alliance on local level was through benchmarking, which again can influence the behaviour of employees. Information flows easy and new measures are

made easy. So as we now have elaborated on, there is a slightly difference between the research model developed in the earlier stages of the research process (figure 2) and the new research model based upon empirics.

Regarding design characteristics, we found out that the scorecard consists of five different KPIs. At least based on the arguments of the EVP. When we went further down in the hierarchy, we found out that the scorecard did not only consist of five, but different KPIs to reach the originally five KPIs. This was a finding that only took place on finance centre level. We also got an understanding about the complexity of meeting the different measures and KPIs, and that goals should not be set to high.

Regarded communication, this was something that all levels were interested in. In our thesis we have divided SNN into three different levels: the group, regional and finance centre level. We found out that the employees communicated more with people in similar position at the same level, because they had similar experience. Not only on local level but also on regional and group level too.

Another element that we found interesting was benchmarking. Benchmarking is used as a tool to measure SNN and different financial centres towards other actors in the market. But there are also issues connected to this. On financial centre levels we heard about different issues with previously benchmarking in SNN. The strong individual focus was meant to boost employees work ethics and progress, but the result was quite opposite. Forecasting was also a tool used in checking SNN and financial centres towards other actors in the market. The forecasts used in SNN were 12 moths ahead. We also found as mentioned above that the alliance have impact on local level when it comes to materialization more precise benchmarking. The reason we argue on this is because the informants told us that the information flows easier in the alliance and that it would be easy to find out something about another financial centre.

The new EVPs vision consisted of three words: "simple", "clear" and "consistent". On the region level they agreed on that it had become more simple and clear, but on financial centre level we found some issues. One financial centre leader brought up that there was an issue with the scorecard and that five KPIs easily could become ten KPIs. On region level they told

us about frameworks and how easy things are now, and that decisions are made on local level, resulting in that the hierarchical travel is minimized.

The inspiration of why they decided to implement a new dynamic management control in SNN was somehow unclear to us before we did the interviews. After sorting out the empirical data, we can now say that the implementation of the new dynamic management control is based on three factors: the alliance, the contingency environment and the new EVP. In order for us to illustrate this, we made figure 8. We also found out that the implementation was pretty much individual driven, and that the employees' background is more important then his position in order for having influence of making changes.

Figure 7 Factors that affects the SNNs MCS
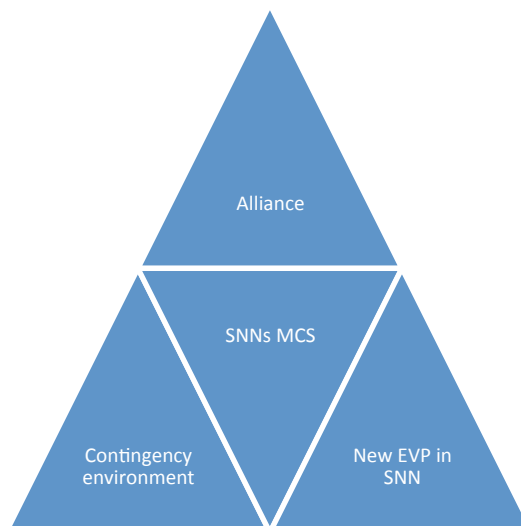
5. Analysis

As we briefly touched upon in the summary of empirics, we would like to analyse on the basis of the three key findings but in addition to this we elaborate on factors, which we find interesting and relevant for our thesis. This we will do by trying to connect the analytical model of the thesis against the theory we referring to in chapter 2. First we looked at the mismatch between top and bottom, then we analysed on the basis of that this implementation

process was pretty much individual driven, thirdly we argue on communication issues and lost in translation. At the end of this chapter, in section 5.5, we will try to answer the three given research questions we stated in section 1.2.

5.1 Mismatch between top and bottom, regarding the implementation and use of the new management control idea

Initially, the EVP of Salten, BMs, DMs and advisor had not heard of any "dynamisk styring" model, implemented in the alliance, and did not quite know if it was implemented or not in SNN. Everyone felt like there were similarities to "dynamisk styring" model in theory once we told what the theory was based on, and compared it to the management control system, implemented by the new EVP when he entered SNN. This is also aligned with the theory of SI and the innovation and diffusion theories, due to translation.

The superior goals of the management control philosophy, implemented by the new EVP of SNN was to make it simple, clear and consistent, but when talking to the DM in Bodø, he argued upon that although the intentions of the EVP is to make it simpler, it did not necessarily become simpler on local level. This can have something to do with what Bjørnenak and Olson (1999) argues that different organizational contexts have different criteria of information. The DM felt that employees should be even more involved in the process of setting KPIs. Otley (1980) argued that in order to make the decision-making more decentralized, you need to increase the ability for managers to make decisions. Although this is one of the intentions of the new model, it does not seem to have travelled down on local level. Another purpose of the new model of the new EVP was to enhance creativity and innovation in the organization, but other than a new way of solving tasks, it is clear that the employees on local level want more responsibility and larger involvement in the planning. The EVP of Salten finds the new way of operating within frameworks as more consistent, and that decisions now are made local, compared to before where the distance between top and bottom were larger. By comparing the answers of the EVP of Salten, the EVP and the CFO of SNN to the answers of the DM of Bodø, and BM in Harstad, it is clear that there is a mismatch. One of the purposes of the new model is to make the gap between top and bottom smaller, but it does not seem to be well understood. This is both regarding decision-making on local level and to improve the communication between local level, EVPs and HQ. It seems like that managers on top and middle level thinks that employees on local level have got a

greater role in decision-making and more responsibility, but on the bases of what the informants on local level told us, it is clear that the communication have to be improved between top and bottom.

5.1.2 Going from traditional budgeting to dynamic management control

As going from a method based on traditional budgeting to a dynamic management control in general led to more satisfied members of the organization, due to less micromanagement, encouraging to innovation, avoiding being a hurdle for organizational structure, there were clearly challenges. According to Hope and Fraser (2003), the purpose is to make a greater involvement in the targets and planning, as well as a larger ownership to the solutions that is being chosen. The bank manager of Harstad, among others was explaining that it took time to adapt to the new economic model/philosophy of the new EVP anno 2012. She was feeling a lack of control, due to the broad framework the employees of the bank now had been introduced to. McGregor (1987), divided between theory X and Y. Theory X described much of the old model, where the employees were instructed, had little responsibility and small ambitions and that they have to be forced and controlled to work towards the organizational goals. Going from such a control model and to a theory Y where the employees are set to control themselves and stay committed to the organizational goals, having trust and allowance to be creative and innovative, is quite a turnover, but other than scepticism, it met little resistance. Hansen and Mouritsen (2005) argued that the management control in itself is secondary, referring to the elements within the contingency theory by Chenhall (2003) to be the primary, when establishing a strategy. To this extent, you need to adapt the management control system to the contingent factors. As the employees had got an overview and got used to the new control system, they no longer found it overwhelming, but as a better alternative to the traditional model. They also acknowledged that this was the right thing to do, being aware of in what circumstances that SNN now was operating. Teece and Pisano (1994) argues that a firm should be more dynamic to be able to address and tackle uncertainties and the increasing complexity in the market. This is in many ways what the new EVP wants.

On the other hand, empowerment in the organization, making employees more responsible for decision-making and allowing for more creativity, are in addition to the positive effects also creating some risks. The EVP of SNN said that he have five KPIs to measure and set goals, due to the aim of making it simple and clear for the employees. In addition to this, he was

aware of that the leaders out on the finance centres were making their own goals and measures. A problem here was that it could be too many KPIs and that the focus could be lost. This could be the case when different managers do different things because they think differently, things might get somehow different regardless of if the core idea is the same. While implementing frameworks, which was one of the main changes, one also gives away a lot of control.

The DM in Bodø argued that they needed several KPIs in order for these one of the originally five KPIs. The EVP of SNN was very clear about that the KPIs were different the longer down you went in the organization. The BM in Bodø, Rognan and Meløy also gave us one key argument, that the travel of ideas might get lost in translation due to that it was not always things and new information were as clear when they travel down in the hierarchy. This argument is supported by the DM in Bodø se argued that she hadn't felt any changes due to the fact that financial centre tends to be to operational on the daily basis. In other words, the changes did not quite go all the way down. In theory, organizations try to make departments as similar as possible. In SNNs case, this would be hard, due to the control system that are being used e.g. framework. This can make leaders and employees on lower levels in the organizations "lost in translation", bringing new management control ideas to the table. Otley (1980) argues that to make a more decentralized decision-making, you need to increase the ability for managers to make decisions. On the other hand, according to Hope and Fraser (2003), you are dependent on that the managers receive the information that they need, when they need it.

This shows that although employees want more responsibility, there has been made adjustments in the directions of a more decentralized decision-making, but that there is still a potential for the communication between top and bottom to improve, as well as for the hierarchical distance to decrease as a key to improve the communication between levels. To angel it another way, it is clear that for SNN to adjust to a dynamic environment, the adjustments are communicated down to local level, but to what extent and what degree that there have been empowerment and local decision-making, and ability for the employees to share their opinion with the top-management is more vague. By referring to Sekaran (1992), where it is being distinguished between high power distance cultures and low power distance cultures, we can say that SNN have implemented a model that relies more on low power distance cultures, compared to before, where the traditional budgeting, characterised by that

the hierarchical top are making all decisions. Low power distance, where the members on the different levels are making the decisions is a great element of the new model, but that although there are greater decision-making on local level, SNN can by improving the communication between levels, improve the local decision-making and also making employees more satisfied compared to the current standing.

5.2 Individual driven process of implementation

Throughout the process of collection data, we found the implementation process to be strongly individual driven. By this, we think of it as the "luggage" to the person that is in the center of the implementation, in this case the new EVP, which to some extent could affect the implementation process. This is similar to what the institutional theory elaborates on within the organization and institutional environment, more precise the institutional isomorphism. Here we cannot neglect normative isomorphism and the importance of this theory. The implementation process matches pretty well with the normative isomorphism. It affects it in way that the former experience of employees affects the outcome of a process. We found out that normative isomorphism and individual effort together were more important then the organizational power structure. The implementation is done indirectly and in this way we can't say its imitation. Larson (1979) argues that a market standard is being made when the professionalism fight starts between actors in a market that tries to define conditions and methods of their work. SNN did not need to wait for the new EVP to arrive in order to make this change in control systems, but the background and experience of the new EVP made it. Another finding that we find interesting is that the new EVP could just acts in self-interest, in this case we find the Scandinavian institutional theory suits very well for this. As Czarniawska and Sevón (1996) discuss in their article about the logic of appropriateness and that human actions is to be interpreted in the sense that rules are either irrelevant or they reflect powers and interests.

Every informant agrees to the fact that the new control system was established and introduced as the new EVP entered his position. So the first point on its travel down to local level for the new MC is the new EVPs translation. His translation shapes the new MC idea very early in the implementation stage. At this point, we feel like that we can make good assumption about where and why the new MC becomes a reality, and where the inspiration came from.

In the beginning of this thesis, we were aware of that the alliance implemented a new form of dynamic management control already back in 2008. From a third person perspective, we can see some clear similarities between the new MC in SNN today and dynamic MC in the alliance and in general. With what Bradford and Kent (1977) said about innovation, that old innovations can be used in new settings, or that old ideas can be used at a later point of time, we could say that this is a textbook example of exactly this. Communication was an important aspect for everyone in SNN (ref. empirical data), not only inside SNN but also within the alliance. We could say that the organizational distance and travel of ideas is short from the alliance and into SNN, since the new EVP is a member of the board of alliance as well. Before the new EVP arrived, they previous had the exact same position in the bank. We can now argue for that background of a person is more important then position when it comes to changes.

The situation given above could also be looked upon as a process of diffusion. Diffusion is based on Rogers (1995): the process whereby an innovation is communicated through certain channels over time among the members of a social system. One reason why the changes in SNN were made years after the implementation within the alliance, could according to Bjørnenak (1997) be divided into two causes; resistance to the idea, which is unwillingness to make changes in the organization and the second one, distance, which consist of the adaption of the new idea as well as the physical distance. We found out that the alliance influences SNN on two levels; power of the board on the level of HQ and benchmarking at local level. Information flows easily not only in SNN, but also in the whole alliance as long as the information was not stock market sensitive. We need to agree with Bjørnenak (1997, 2005) that unwillingness, distance and culture are all factors that could influence the implementation of a new control system. With this being said, Bjørnenak (2005) also argues on the importance of the person sending or in this case implementing the new control system. We couldn't agree more with Bjørnenak (1997, 2005) here, since we based on empirical data found out that personal characteristics is way more important then the position in the organizational power structure

From Aune (2009) we learned that the alliance used 12-15 moths of rolling forecasting, as well as benchmarking, ligatables and incentives systems. Regarding ligatables (table 3) we did not find any traces of it in SNN, but we can assume that this is just a way of benchmark.

Based on the figure illustrated in 4.1.1.3 section we see that they are just comparing the different banks within the alliance, and illustrate the changes compared to each other and the average in the alliance. We can say that to some extent that this is implemented in SNN, since we have found several proof that they benchmark against each other and comparing financial centres against each other. Every informant supports this assumption and they told us that they got benchmarked in any way, both internal and external. With these arguments assumed, we can now draw the conclusion that SNN found inspiration in the alliance when implementing a dynamic management control.

Regarding translation and communication Bjørnenak (1995) outlines six forms regarding how management accounting innovation (MAI) is communicated to new locations, which several of them fit the empirical findings in our thesis. The first one is regarding change. In the empirical data, we found out that there were different answers regarding change. The BM in Bodø said that there was always going to be resistance in an organization when it comes to change, but he followed up and told us that he personally had not felt any big resistance on his level (finance centre). We believe that this is a normal behaviour regarding change, and that employees tends to be in a comfort zone, not wanting to leave and go into a stretch zone (Bourmistrov and Kaarbøe 2013). The second one is design bundling, which tells us about when two ideas becomes one management control idea. This is relevant for our case as SNN had one way of doing their management control before 2012, and another after 2012, and that the old control system idea became modified with the new EVPs idea. The third one, which can look a lot like the previous one, is about when rhetorical elements of one MAI is combined with another MAI with other rhetorical elements. The difference here is that the new control system consists of basic rhetorical elements form different ideas. This one is the one we think is most suitable for designing the new control system in SNN due to the rules and guidelines from the alliance.

Another interesting finding was the fact that BSC is somehow hard in the beginning. The EVP argued on the riskiness of starting something new, and that the budgets always gives the manager a sense of safe and comfort. He also addressed an issue which is very true, that budgets tends to be outdated if certain major events happens after the budgets are ready. As we argued upon earlier in this thesis in section 2.0.2, due to the time we are in with so much dynamism, it could be hard to predict the future. By making budgets SNN tries to predict what the next year should look like. Bourmistrov and Kaarbøe (2013) address the problems

of changing by using the terms comfort zones and stretch zones. Regarding change, we found out that SNN previously have had an intense individual focus. This is something that many of the informants expressed. The focus is now on team level, and not on individuals. This way the employees do not feel hung out and labelled. The new EVP wants SNN to be so big in order for them to compete internationally, but at the same time change as quick as a small organization does. Several informants supported this argument.

A counter argument for this is that this is just a trend, and we can ask our self if it is a trend to be able to make quick turnovers and quick changes? Sahlin-Andersson and Sevón (2003) address this issue regarding trends and popularity of new management control systems. They say that only a few, known models are being imitated and that this is due to their popularity and shows that they actually works for several organizations and trigger other organizations to adopt it. We could ask us the question if SNN implemented the new MCS on the basis of trend, and only because they see that the "popular" control system actually works in several organizations. In this case we assume that three things, which we argued on in the summary of the empirics; the contingency environment, the new EVP and the alliance, only affect the implementation, affects the implementation in SNN. We know for a fact that the alliance got their inspiration from Statoil, Svenska Handelsbanken and Beyond Budgeting in it self, as well as the new EVP gets inspiration from his background in his career. In this case we have moved more into the institutional pillars more specific the normative pillar, which we have elaborated on earlier.

5.3 Communication issues and lost in translation

We found that there were a problem with translation and communication of the new management control system. The Scandinavian institutional (SI) theory elaborate on the issue within translation and can be used to see how level of HQ learns from local level. SI argues that each act of translation changes the translator and what is translated (Czarniawska and Sevón, 2005). The translation process travels down the hierarchic structure of SNN (fig. 4). One interesting thing we found was that this translation process goes up in the hierarchy and affects the objectivization of the MCS after it has been at local level. In this way, the MCS can be more adjusted towards the different local markets, and in order for a MCS to function properly, it needs to be mobilized correct (Mouritsen 2005). To that extent, it needs to be implemented all the way down to local level. The BM in Bodø, supported by the EVP of

Salten, told us about the importance of local knowledge, and if you have it, then this is a huge step on the way to become market leader. She also addresses that the controls are adjusted after local conditions. So due to these assumptions we would say that the reason the new management control was not implemented on local level is because of the philosophy of the new leader. He wanted more slack and looser control and this is a straight effect of that.

Figure 8 – Illustration of communication and flow of information
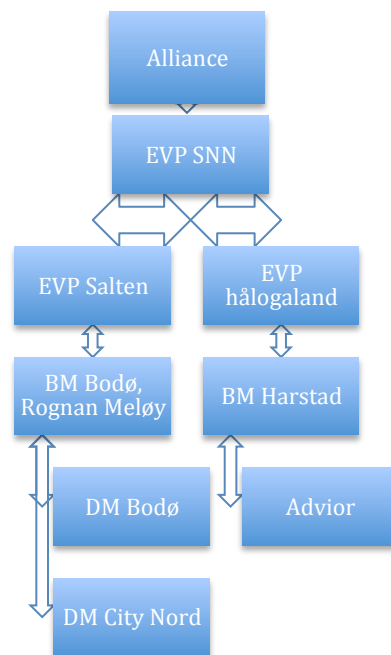
While referring to Mouritsen (2005), we need to elaborate on his arguments regarding that change in management control systems, requires alliances between the actors and that politics that are deployed, to support the construction of the control system. An example of this is if there was a certain amount of scepticism in SNN when the new model was to be implemented, something that makes the solution to find the different alliance partners as insiders. Czarniawska (2008) also talks about local translation, and the importance of understanding that the adopted and implemented control system on local level, is not the same as the original idea. Due to the fact that the new control system travel from HQ to local level and that the interpretation of it might change as a consequence of distance and translation. The reason for the difference is according to Czarniawska (2008) the result of travel and translation.

Moreover the issue regarding the dynamic management control definition on local level, the travel of ideas could change the outcome of the implementation at local level. We know that the changes became more recognized as the new EVP entered. Czarniawska and Joerges (1996) elaborate on that the idea has a tendency to materialize itself in the same organizations on the approximately same time, through mechanisms that works as a trend. It is not unusual that many organizations introduce the same change at the same time. In our case, the implementation in the alliance happened in 2007/2008 and in SNN after 2012. As the EVP of northern Norway explained to us during the interview, that this was an ongoing process and not a start and a stop. So on the basis of this we can say that the different opinions at HQ and local level can be due to the lost in translation theories elaborated on in section 5.1. On the other hand, Teece and Pisano (1994) express the importance about being more suitable for the local market, and say that the management control idea should allow for to create new products and processes, and respond to changing market circumstances. To this extent, it is likely to believe that translation of an idea somehow is for a better outcome due to the existing circumstances, and that it will benefit the organization. Then we talk about something else then miscommunication. In this aspect, we have an ongoing diffusion and throughout the travel of ideas, a translation adapting the new idea to the local circumstances.

5.3.1 Making departments similar

As we have argued upon several times, the alliance influences SNN on two different levels; power of the group at level of HQ and benchmarking at local level, which can somehow correlate with behaviour of employees when it penetrates down. We find it interesting that and someway explainable that the alliance interferes on different levels in an individual bank. Remember that it is the banks that own the alliance, not the other way around. We can argue that this is just the way for a bank being embedded in an alliance, and since we do not particularly know any other similar alliances in the finance market, we can assume this to be normal. In our thesis we have studied two local levels, Salten and Hålogaland, and based on theory from Czarniawska (2008) where she argues on the fact that local translation of an idea is critical, and that ideas not necessarily look the same when it arrives at local level. She further argues that for each time the idea is being translated, it changes. This is very important and needless to mention, very true. We saw in our thesis that the more "stages" an idea has to travel, the more different it becomes. We also saw that if local levels are too operational they may not feel or interfere with changes and vice-versa. In our thesis we have elaborated on

some factors that can enhance the difference between departments such as personal leaders and framework. Based on empirics and theory we can say that the local levels, Salten and Hålogaland, are very similar due to the fact that they tend to be too operational on the daily basis. This in fact does not mean that the MCS is not implemented on local level, but the workers there just do not capture it because they are too operational. Some minor local deviation took place. We don't feel like this deviation affects the outcome of the thesis and we can conclude that the deviation is because of the different amount of experience on local level.

5.5 Sum up

In the following, we will present a sum up of the main findings from the analysis, based on the empirical data, and the theoretical framework of the thesis.

Mismatch between top and bottom, regarding the implementation and use of the new management control idea

Implementing a new management control idea on local level, created a mismatch between top and local level. Although, the employees have become more satisfied with the new way of operating tasks, leaders on local level have expressed that the employees still do not feel that they are able to communicate their issues upwards in the organization and that they want a more decentralized decision-making. Regardless of that this is something that is within the content of the new philosophy, it does not seem to be well communicated.

Individual driven process of implementation

As the old control model of SNN implied a high degree of formal control, the new model allows the employees to be more creative and to work within a framework, working towards relative targets, instead of being micromanaged, having much more rigid and defined tasks. This was also enhancing the motivation of the employees and better communication from bottom to top management. The organizational gaps have been reduced, due to empowerment on local level and decentralized decision-making. Employees have gotten more responsibility and ability to control themselves. It have also become a greater team-focus, instead of an individual focus that might be a hurdle for creativity.

Communication issues and lost in translation

As the management control system first was implemented on the level of alliance, the EVP as he got guidelines from the alliance, made his own philosophy and translations of the model "dynamisk styring". He needed to do so to match the circumstances of SNN. He also wanted to make the control system simpler and more consistent, making KPIs to reach their goals. When the model was diffused down in the organization, it was further translated and KPIs were added. This caused that the new model became lost in translation and what was the purpose of the model, to give the employees more responsibility and control of themselves, as well as to be able to have impact on decisions was having a mismatch.

6.0 Conclusion and further research

In this chapter, we will present the conclusion to our thesis, as well as suggestions for further research.

6.1 Sum up and conclusion

In our thesis, we have made research within the topic of implementing a new management control model and its diffusion down on local level. Although there are many companies operating in a dynamic environment, which demands them to change their way of operating their management control system, there are little research made on dynamics from an economical management control perspective. Our research has been written on the bases of SNN, which due to new circumstances, have made their control system more dynamic. By making research upon different areas within their new way of doing management control, we wanted to see how the model had been implemented and emphasized throughout the organization, especially at local level, due to the possible effects of diffusion and translation of the management control idea. We have also looked at possible implications and issues by implementing a new management control system. On the bases of this, we found out how the implementation of a new model are being emphasized at local level and to what extent employees are satisfied. In addition to making research on behalf of SNN as our case object, the research also makes a greater understanding of the importance of how a new model is diffused and translated downwards and throughout the organization, and how it is being recognized and welcomed at local level.

On the bases of the data that we collected during our research, we found that elements such as that the new model are supposed to make it simple, clear and consistent was elements that are well known, both at top and at the bottom level (finance center). Although, it seemed like the communication of these down on local level was suffering. As the new model is more based on trust and relative targets, which are motivating for the employees, they have got a more dynamic and creative way of thinking, allowing them to work within a broader framework. A dynamic management control system must be implemented throughout the whole organization, and employees on local level should be involved more into the decision-making. Also here it seemed that it was a lack of communication, since the top management was clear on that employees had gotten more responsibility, but on local level employees still felt that ideas for improvement or room for local decision-making still had potential to improve.

But, on the other hand, removing the budgets have been an important element in changing the behavior of the employees, since the employees no longer are caught up in a rigid and micromanaging budget. Having the ability to be creative and to catch new possibilities as long as it is within the framework of the organization, consisting of targets, values and directions. You need to balance the ability to work within a framework, alongside with the perspective of control. How the top management implement a more dynamic way of thinking into the organization is of importance and the frameworks have to be well defined.

Based upon the analysis and conclusion itself, we will in the following make an answer to our problem statement, which we introduced in section 1.2 as: *"How is the idea associated with dynamic MC, emphasized at the level of headquarter, implemented at the local level?"*

A clear definition of dynamic management control was more or less nonexistent on local level but when we told them how we defined dynamic MC, they saw direct links between the theory and the new management control system applied in SNN. Emphasizing happens on HQ level, and the new system relies on good communication between group end regional leaders in order for the system to be implemented further down the hierarchy. Based on empirics we found nothing wrong with the communication between the level of HQ and the regional level, except of some minor desire for more slack and less control. We can to some extent say that this desire can affect the implementation on local level since it is the only link between HQ and local level. Regarding local level implementation we found out that they tend to be to operational to grasp such changes and guidelines. We could answer this problem statement with the following:

The implementation of a new MCS was emphasized when the new EVP arrived, moreover that changes occurred after his arrival, at least based on empirical data. Based on empirics we found three things that had an effect on the new implementation; contingency environment, alliance and the new EVP. The triangle (figure 8) is somehow a simple model of the truth. Similar situation as within SNN balanced scorecard are the three KPIs, whereas it will be several KPIs that needs to be reached in order for the three originally KPIs to be reached. This is something that we have we seen in practice in this thesis, that the simplicity is not given on different levels and intentions and practice do not always go hand in hand.

6.2 Suggestion for further research

While our thesis looks on the implementation of a new MCS and how it travels down from HQ to local level, it is clear that our work only touches the surface when it comes to different mechanisms that influence the implementation down on local level. These mechanisms are something that could be interesting to do a deeper comparison study with all the banks in Sparebank 1 Alliance.

Due to time and cost issues we early narrowed the thesis down to one bank, SNN. Within this bank have we researched two regions in addition to the bank it self. Whether or not the results in our master thesis can be generalized to other banks in the alliance depends on three elements; first one is structure which needs to be more or less the same with framework and decentralized control, the second one is size, they need to be similar at size in order for this study to be applicable for them. The third and last one is location, in order for this study to fit another bank it needs to be located at the same urban location with the same amount of possible customers and competition with other customers needs to be equal to SNNs situation. Since the beginning of this thesis we found it hard to describe one thing; *"what is dynamic management control?"*. During the process we found our own way of defining dynamic management control that is used in our thesis. Our definition of dynamic management control is; that a company adjust for changes in a market, and see possible changes before the events occur.

As we knew early in the process, dynamic management control is to somebody a relatively new concept, but we can find several studies on dynamic MCS but in a broader sense. In our thesis we have mainly looked at a bank and the implementation of a new MCS and the factors

that made the changes happen. As we mentioned above; the next step would then be to include all the other banks within the alliance and look at the same process there.

Another thing that would be beneficial for further studies is to maybe add one more fundamental concept and lay research on the basis of two concepts and maybe a multi case study with companies from different industries. Because it would be beneficial to see how the different industries design and mobilize the process of implementing a new control system.

6.3 Implications for practitioners

This thesis can be useful in many situations, but first and foremost in organizations that are facing or expect to operate within a dynamic environment and that have to make adjustments to their management control, due to changing circumstances. In order for this study to be relevant for other organizations, there are three factors that need to be fulfilled; control, size and position. This is further explained in 6.2. It is clear that some parts of this thesis could be transferrable to other settings, making it useful for other practitioners. Making research upon SNNs implementation of a new MCS on local level and factors that interfere with the implementation process, we don't think that there will be any less dynamism in the environment in the future. In order to survive in a dynamic environment, organizations need to be able to make quick turnovers and adapt to changes in the market. With the high innovation of technology happening in most industries, not only in banks, this study could be generalizable to many businesses, bringing awareness upon issues and complications to watch out for, as well as how one business made their implementation to work.

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Appendix

Appendix 1 Interview guide

Generelt

1. Fortell litt om deg selv, hva du jobber med i bedriften generelt

   Dynamisk styring og strategi

2. Hva synes du om dynamisk styring i SNN og hva er dynamisk styring for deg?

3. Hvordan har du opplevd endringsprosessen/ implementeringsprosessen?

4. Har du opplevd noe motstand og/eller utfordringer med denne typen styring? **Konkrete** eksempel.

5. Hvordan håndteres slike typer utfordringer og evt motstand? Av hvem håndteres dette?

6. Hvilken type styring har dere; er det en ovenfra og ned basert styring, eller er den preget av å være mer desentralisert?

7. Hvilke kommunikasjon/samarbeid har dere i SNN mellom dere og HQ?

8. Hvordan samarbeider dere regioner imellom?

9. Kan du nevne konkrete forskjeller som du enten har hørt eller opplevd som er den største endringen fra det gamle styringssystemet til det som brukes nå?

10. TIL SJEF: Føler du at du når ned til de ansatte som "jobber på gulvet"

9. TIL ANSATT: Følger du at ledelsen hører deg og ser deg?

Omgivelser

10. Hvor hentet dere inspirasjon til å innføre dynamisk styring?

11. Hvordan følger dere opp bedriftens (SNN) utvikling i markedet?

12. Hvordan følger dere opp endringer i markedet?

13. Hvor viktig er teknologisk nyskapning for dere (i form av nye plattformer å nå kunden på; app, telefoni, nettbank etc.)?

14. Følger du dynamisk styring gir dere muligheten å være en ledende aktør i markedet? Hvordan?

Strategiske verktøy for endring og utfordringer

15. Opplevde du noen problemer med det gamle styringssystemet? Har det dukket opp nye problemer?

16. Savner du budsjettet? I hvilken grad har den økonomiske styringen endret seg ved frigjøring fra budsjett?

17. Har det blitt mer samhandling og diskusjoner mellom toppledelsen og ledere på lavere nivå?

18. Hvis du skulle kunne endret på noe/ gjort noe om igjen, hva ville dette vært?
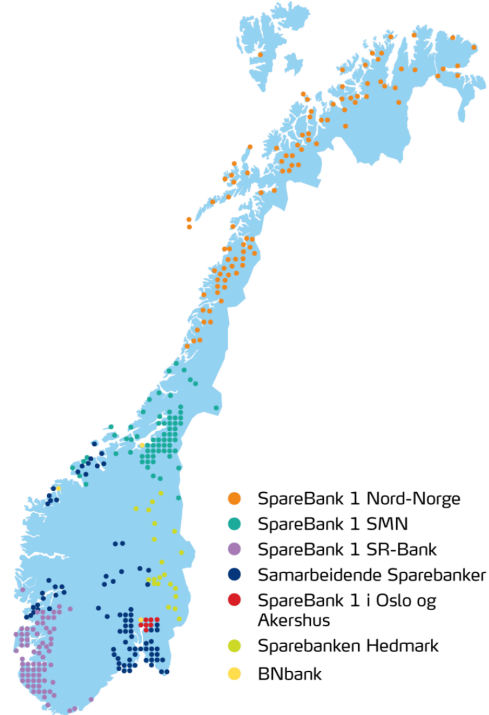
Appendix 2 Overview of banks within Sparebank1 alliance
Source Aune (2013)