Master Thesis

BE304E

The implementation of Going Dynamic in Telenor from a management control perspective:

- Why and how has Telenor gone Beyond Budgeting?

by

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Abstract

Today's organization is striving in environments which frequently are characterized by uncertainties and rapid changes. The budget has been, and still is, a management tool most companies use to govern their activities. The critics of the budget have claimed that the budget has lost its relevance in today's highly competitive environment. Beyond Budgeting is such a concept that claims that organizations needs to replace the budget due to its conflicting purposes.

Telenor is one of the organizations which realized that the budget was inadequate for the company's needs because it did not always contribute in providing the optimal management information. Management realized that the budget was grasping for more than it could handle and introduced Going Dynamic – a management model inspired by the Beyond Budgeting philosophy. We have studied why and how Telenor introduced Going Dynamic by interviewing the project leader for Going Dynamic and employees in two market outlets. Telenor decided to introduce Going Dynamic in the Norwegian organization in 2006. The market outlets were separately responsible for introducing new designs that replaced the budget, which has resulted in some interesting similarities and differences. The study of how Going Dynamic has been introduced in the market outlets has been done from a management control perspective which includes targets, resource allocation and prognoses.

The literature states that each organization's journey to go Beyond Budgeting is unique, and our study confirms that this is the case even between divisions in a single organization. We found that the budget no longer provided management with the adequate information needed in Telenor's rapid changing environment. The budget could no longer perform its multiple roles included target setting, resource allocation, and cost management in a way that enabled decision making and follow up. Telenor has separated the targets, resource allocation and prognoses as a result of this. The two market outlets have developed different mechanisms that allow a more dynamic resource allocation. The processes of making prognoses, which aim to reveal gaps towards the targets, are applied differently in the two market outlets. The prognoses have made processes more visible and the incentive structure has been changed. However, there are indications that the budget has not been fully deinstitutionalized yet and the budget-like fixed target setting process seems to hamper Telenor's ability to allocate resources dynamically to a certain degree.

Acknowledgement

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Part I – Introduction

1.0 Introduction

In this part of the thesis we will elaborate the background of why we believe the topic is worthwhile to study, as well as a presentation of the problem statement and the limitations of the study will be introduced. We will also mention the purpose of the study and structure of the thesis.

1.1 Actualization

An increasing uncertainty in the external business environment has fueled discussion on management control in the literature. Cokings and Paladino (2007) claim that the number of corporate decisions that are marked by an increase in complexity, uncertainty and change are growing rapidly, and they are not the only ones. The discussion whether the budget has lost its relevance in today's business environment strikes at the very core of how many businesses are operating today. Removing the budget would seemingly be a significant step for most businesses and the claim that budgets have lost its relevance has caused prosperity in the debate of the budget's usefulness. The critics of the budget claims that it is simply not capable to solve the tasks it is meant to do in today's business environment and Beyond Budgeting Round Table, a movement which aims to completely remove and replace the budget, has seen an increase in its number of members since its birth in 1998.

In this thesis we will have a look at Telenor, a leading provider of telecommunications services worldwide, which in 2006 embarked on the journey to go Beyond Budgeting. Our main focus is directed towards why and how Telenor has introduced the new management model.

1.2 Problem Statement and Limitations

The process of removing the budget in Telenor has been done in a unique way. The Norwegian part of Telenor decided to replace the budget in 2006 and named the new management model Going Dynamic. The two market outlets, namely Business and Consumer, have each their own way been responsible for the development of the new mechanisms and processes that were to replace the roles of the budget. We thought it would be interesting to study this process and the problem statement of the thesis is the following:

The implementation of Going Dynamic in Telenor from a management control perspective:

- *Why and how has Telenor gone Beyond Budgeting*?

In order to answer the problem statement we have applied three research questions:

1) Why did Telenor decide to go Beyond Budgeting?
2) Has the elements of management control been changed during the implementation of Going Dynamic?
3) Are there any challenges with the implementation of Going Dynamic?

The first research question looks at Telenor Norway as a whole. The notion of Telenor will for the remainder of the thesis refer to Telenor Norway unless mentioned otherwise. The second research question addresses the three elements of management control which include resource allocation, targets, and prognoses. This is limited to a study of two market outlets that separately have developed and implemented new mechanisms for resource allocation and new processes for prognoses. The name of the two market outlets refer to the market segment they serve. A third market outlet, which segmented are the wholesale market, is not included in the study. The reason for this is the two market outlets share similarities which makes in more practical to make comparisons. The third research question focus on challenges. Here we look at findings in research question one and two to discuss whether there are any challenges with the implementation of Going Dynamic.

The infancy of the implementation of Going Dynamic makes the study interesting and explorative. The industry and markets Telenor operates in are, to our knowledge, rather unfamiliar and unexplored regarding the adoption of Beyond Budgeting.

1.3 Purpose of the thesis

The purpose of the thesis is to study and describe the reasons for Telenor's decision to use Going Dynamic as the new management model. There is, from our point of view, still scarce literature regarding how Beyond Budgeting inspired management models might look like when they are implemented. This is why we wish to describe how the new management model look like compared to the old one and whether there are challenges related to the transformation.

1.4 Structure of the thesis

This thesis is structured into five parts. After the introduction in part one, the frame of reference will make up the second part. Part two contains the theoretical foundation of the thesis which will be applied later in the analytical part. The third part is focusing upon methodology where we reflect upon the process of writing the thesis. This part explains the whole research process and the choices we have made. We will especially focus on the strategies regarding the collection, analysis, and interpretation of data. The fourth part presents the empirical data we have collected. This part is organized into two chapters. The first chapter introduces Telenor and the new management model. The second chapter in the empirical part is presenting the two market outlets with a focus on the three elements of management control. The fifth and final part contains the analysis of the empirical data where we make use of the frame of references from part two. This part is the link between theory and practice. The fifth chapter will be rounded up with a conclusion. Here we will also take a critical view on the thesis and provide suggestions for further research.

Part II – Frame of Reference

This part presents the theoretical foundation of the thesis. We will use the frame of reference in order to analyze the research questions in part five. Since management control represents an umbrella in form of being a universal term for the theoretical framework, a brief introduction to management control will be presented before the remaining theoretical framework for the thesis follow.

2.0 Management Control

The term of management control is often used differently in a wide variety of contexts (Mauland and Mellemvik, 1998). If we are to explain management control it makes sense to start off by briefly looking at the meaning of the terms "management" and "control" separately.

Management – Dubrin (2003, cited in Herath and Robinson, 2007:896) states that management is

> "[…] *the process of using organization resources to achieve organizational objectives through the functions of planning, organizing and staffing, leading, and controlling*".

Control – According to Hoque (2003:46) is

> "[…] *a general nature of control is that it places emphasis upon performance and the monitoring of activities that facilitate the accomplishment of an organization's objectives*".

Bourmistrov (1998) states that the meaning of control is less clear than the one of management. In the framework for managerial control by Herath and Robinson (2007) the authors present a detailed review of the management control literature. The authors mention especially:

- The nature of control – where control is considered a very important function of managers. It can be seen as the process of guiding a set of variables to attain a preconceived goal or objective.

- The process of control - Control means a comparison between the planned and actual performance together with identifying possible corrective actions.
- The need for control - Control is used as a means of ensuring that participants will do what the organization wants to do, and they will not do something that the organization does not want to do.

Management Control – The early ideas of Professor Robert Anthony on control models of organizations, where he separated it from strategic planning and operational control, can be viewed as the birth of the term management control and laid a foundation for the research on the area (Otley, 2003). Anthony (1965:17) defined management control as

"*The process by which managers assure that resources are obtained and used, effectively and efficiently, in the accomplishment of the organization's objectives*"

Anthony's definition may be said to be from an internal control perspective. An alternative definition by Emmanuel et al. (1985) is from a strategic perspective. They claim within a self regulating system both the specification of objectives and the means of their achievements are internally generated and form part of the control process. Based on this the authors claim that management control:

> "[…] *is therefore concerned both with strategic issues (the general stance of the organization towards its environment) and with operational issues (the effective implementation of plans designed to achieve overall goals)*". (Emmanuel et al., 1985:8).

Anthony's definition of management control can also be viewed as a process where managers (and workers) act in the organizations interest. How to ensure this is what Otley (2003) claims to be the central problem of management control. With the definitions and the central elements of management control in mind we present our understanding of management control in Figure 1:

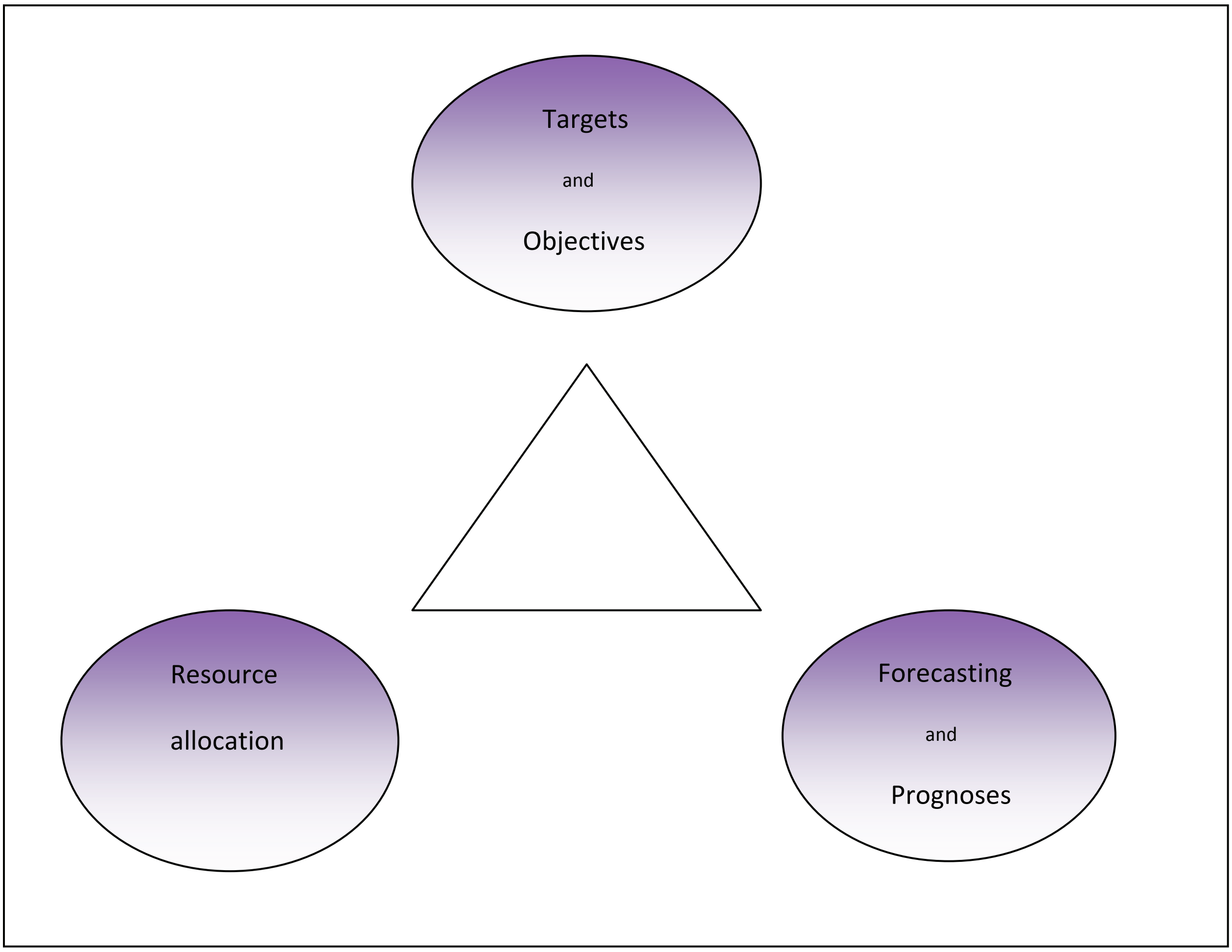


Figure 1 – Elements of Management Control[1].

In our view is this figure covering the content in the definition of management control by Anthony (1965) and Emmanuel et al. (1985). According to the definition of management control by Anthony (1965) it is a process where resources are obtained and used, effectively and efficiently. The "use" of resources is done within the element of resource allocation. The resources are obtained by accomplishing the organizations objective (targets and goals). The forecasting/prognoses are an important element both to ensure that resources are used effectively and efficiently, and supporting the organizational objectives. In accordance with the definition of management control by Emmanuel et al. (1985) we recognize strategic dimensions to be present in each of the elements. Strategic issues, the general stance of the organization towards its environment, seems most evident in relations to the objectives. The operational issues, which are the effective implementation of plans designed to achieve

[1] Figure based on the quality problem expressed by Bogsnes (2009) and the definitions of management control by Anthony (1965) and Emmanuel & Otley (1985).

overall goals, relies on prognoses and resource allocation to a greater extent. The three elements are in every sense mutually dependent of each other within management control. It is a process where managers (and workers) act in the organizations interest.

2.1 Tools of management control

In the last years there has been an increased interest within both the business schools and the industry considering management control tools in companies, mainly management control tools in relation to changes in the companies' environment.

Anthony (2001) suggests that management control is the process where leaders affect other members of the organization to complete the organization's strategy. Management tools are supposed to assist the management in taking accurate decisions and the bonds to accounting and budgets have historically been strong. An audit company, BDO Noraudit, defines management control tools as the following: "*Tools of management control are those systems and tools that document the companies' results and gives the management the feedback that makes it possible to do follow-ups regarding the achievement of strategic goals*" (BDO Noraudit, 2007:1). The management control system is a substantial element in the company's overall information system and is a result of those activities the company performs. Key words in a management control system are gathering, preparing, storing and reporting data to one of the company's transactions (Dæhlin and Kirkeby, 2002). What is most important is that the system is relevant and comprehensible for the users.

When we look at the management tools and control systems it becomes necessary to comment on the information system. This is because the information system is there to maintain an overview and control of the information flow and information access in the systems. Collecting, compiling and interpreting the information that is shared in the organization are a part of the management control system. Christensen et al. (1999:17) emphasize that the paramount objective of the information system is:

- *Control purposes:* information used for planning, decision-making and evaluation
- *Communication purposes:* create ties across the organization and to the environments

Christensen et al. (1999) explains that the term "information" is complicated and that the use of data is often also used as a synonym for information, even if the real meaning is different.

In this context data represents information in the form of symbols and signals, while information is connected to knowledge. Information could be data that gives meaning, knowledge that can be deduced from data or knowledge that is communicated.

The management is dependent on an information system that gives access to information that is useful for the different planning, evaluation, and decision making processes. A well functioning internal information system is important to stimulate the need for motivation, guidance and knowledge among the users. A well functioning system will in addition make it easier for companies to communicate with their environments.

2.2 Traditional management

There has been space dedicated in this thesis focusing on how changes in the environments have put demands on governance. We choose to do this because the environments are significant factors that affect research, our perception, and how management tools need to be changed and adapted. This is all helping to explain the increased interest surrounding management control, and how and why these new models and theories are justified.

Management control has traditionally been connected to development of accounting information on the basis of the historic cost principle. This accounting information has made the foundation for decisions in the organization. With the historical cost as a foundation it has become usual to evaluate budget targets against real achieved numbers. The budget is often based on assumptions of the future but also on historical data. This simple presentation do not give complete picture of the use and comprehension of a traditional management control systems, but it presents in rough terms the main idea of the general use. There could be that this way of looking at the system does not give the user the possibility of evaluating data and taking decisions sufficiently. This might be because the time perspective is not included where the reports and accounting information for each quarter and year is done. Information will often be outdated and therefore less relevant for the decision-makers (Dæhlin and Kirkeby, 2002). Environments characterized by turbulence could effectively limit the usefulness of information making it necessary in some industries to use the information as soon as events happen (Falkman, 2000 cited in Dæhlin and Kirkeby, 2002). According to Falkman the more complex the business environment is, the harder it becomes to secure the reliability of accounting information.

2.2.1 Criticism of traditional management

Criticism towards the traditional corporate management has emerged for some time now as new tools for management control have appeared (Hoff and Holving, 2003).Many companies today operate in environments that are, more than before, characterized by rapid changes. Johannessen et al. (1999) emphasize in their paper, which reflect upon Europe and European companies' competitiveness, that the development in the later years have gone from an industrial society to knowledge and information society. The authors state that this is a result that could be related to the continuing and growing globalization that among other things lead to an increased information access, a changed competitive status, increasing demands for competences among workers and management, technological leaps, more focus on innovation, and CSR-activities in the public. The list of causes and effects due to the new needs for management control is long and we understand that the continuing adjustments bring forth new demands on how a company is governed and how it operates.

The changes in the environments have lead to an increase in focus on strategic governance and strategic control as a result of the strategic horizon not only just companies, but also industries, are shorter than before. The most important demand in the continued growing globalized community we live in is the valid and up-to-date governing information (Hoff and Holving, 2003). This is because it gives the management an indication on the company's heading in relation to the strategic goals. Information should arrive at the correct time and be extensive enough to give the management a possibility to take correct actions. In environments that have an abundance of information available it is often a question of filtering and extracting the relevant information – something that most often is easier said than done.

Hoff and Holving (2003) call attention to some reasons for the changes in ways of governing. Dramatic changes in environments have led to a global competition and increased access to information. This change in the environment is often what is referred to as a transition from an industrial society to knowledge and information society (Johannessen et al., 1999). Technological progress has intensified the need for innovation in companies. The significance of strategic management seems to be increased because of the reasons just mentioned and at the same time demands companies to be proactive to a larger extent than before. Johannessen et al. (1999) emphasize that the business department have to change focus from being a department that registers to a department that actively participates in operations and gives the management the information needed for effective governance.

2.3 Strategy in Management Control

The term strategy is regularly mentioned in the frame of reference. It is also an important element in the literature of both budgeting and Beyond Budgeting. The term strategy is therefore important to elaborate further.

A strategic process should in principle tell how to reach the company's goals. The definitions of strategy in the literature are not by any means lacking, but we feel that it is enough to cite only some of the most widespread definitions. Henderson (1996 cited in Hoff and Holving, 2003) defines strategy as *"[...] a conscious search for an action plan that will develop and strengthen the company's competitiveness. Any company want this search to be a repeating process that starts with identifying where the company stands today and what it stands for. The competitors that are most similar to ones own company is the most dangerous competitors".* Another definition by Quinn (1996 cited in Hoff and Holving, 2003) reads: *"Strategy is a pattern or a plan that integrates into the organization's goals, politics and course of events in general. A well expressed strategy helps direct and allocate a company's resources based on the company's internal competence, assumed changes in the environment, and movement of competitors".*

Some definitions of strategy like the one from Henderson above represent planned and intended strategy. Other definitions, like the one from Quinn explain strategy as a pattern and therefore refer to it as the realized strategy (Mintzberg and Quinn, 1996). This actual strategy also involves emergent strategies as a result of changes in the environments, resources, etc. This connection between intended strategy and realized strategy is known from Mintzberg and McHugh (1985).

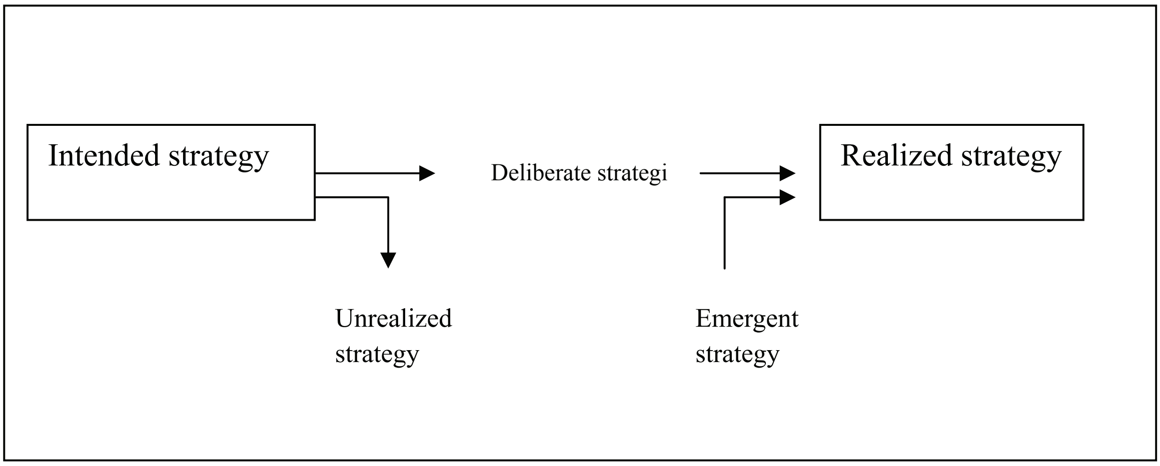


Figure 2 – Realized strategy (Mintzberg and McHugh, 1985:162)

Strategy is discussed on different levels. Establishing lasting competitive advantage and achieving the strategic goals is important for any company regardless of industry. For large companies where a group strategy would be the paramount strategy, the strategy would go thoroughly into industry and product mix. Strategies concerning growth will also be of importance. Global strategies reflect how the company will position itself in the global market, i.e. through cooperation and alliances. Business strategies focus on how the business units position itself in the market. An example could be whether the unit will compete on price, volume, or a market niche. Functional strategies means that the company needs cross-functional strategic goals that make it possible to reach these lasting competitive advantages. Creating consistency between strategies on different levels and with different time horizon to be able to reach the strategic goals is a challenging strategy process.

2.4 The role of Management Control

Management control is a wide term and its roles involve people across the organization. Even though we will not go into details we feel that it is necessary to have a brief look at the role of management control.

In an article by Olufsen and Castberg (1998) the role and development of management control is discussed. The authors claim that management control has been lagging behind the operational part of an organization. Management control includes processes related to accounting, decision making, control, and financing. While the operational part has been focusing on processes and customers for a while the economical function has continued to have a “functional orientation”. The transformation towards process and knowledge orientated organizations has put the role of management control under increasingly pressure. Olufsen and Castberg (1998:89) claim that this is due to:

> “*Today’s products and markets are changing more rapidly than ever. The ability to have an overview of the arena for competition is decreasing. Tomorrows winners are those organizations that manage to take the correct decisions at an early stage. This requires quicker and more reliable data which provides a forward looking picture. Economical information can often be compared to fresh produce: they are only interesting for a limited time*”.

The authors claim that this statement is valid for organizations regardless of industry and the size of the company. The article stresses that role of management control in the future need to be made into a business partner for the rest of the management. It has to be integrated with the remaining parts of the organization. Instead of having a reactive function it has to adapt a future looking and proactive role. This is what the authors call an “early warning function” of management control. This includes the ability to see the economical consequences of different decisions, market trends, and measures made by competitors, customers, suppliers and government. In summary, management control has to be an important contributor in the value creating activities in the organization. One of the business and finance department's usual roles in a company have been to make reports related to measurement of key figures and other types of reports. This is often a measurement of the past and is, as mentioned before, not always the best way to foresee the future. The business department should remove or increase the efficiency of the resources that is used for historical measurement to be able to cover the inadequacies related to the information used for governance. This problem statement is emphasized by Ernst & Young in one of their reports about the future business function:

> *”The main focus in the business department has traditionally been transaction processes and reporting and control. Increased demand for quality and efficiency in the work performed as well as increased demand for analysis' and reports that is relevant in decision making have lead to a change in the view of business function's role and organizing.”* (Ernst & Young, 2004:2)

The intention is that the business function will contribute to the company's value creation by providing the management with information that result in the management taking the best possible decisions in dynamic surroundings where the market often is characterized by unexpected and fluctuating risk. Erik Mangelssen, former CEO for business, finance and IT in Kongsberg Automotive ASA expressed the following about the business function's future:

> *"The business department have to use less time on the transaction process and more time on the analysis of the material collected and structuring of the economic information that provides a foundation for future strategic analysis"* (Hoff and Holving, 2003:23).

This way the business department will be able to be a driver for mapping what company's course towards their strategic goals

Olufsen and Castberg (1998) believe that management control will have a larger part to play in the support of decisions that it has traditionally. The authors do not believe that the strong focus on cost control will change but rather be supplemented with non-financial information. The transformation of roles in organizations can be identified in the definition of strategic management account by Hoque (2003:2):

> "*Strategic management accounting is the process of identifying, gathering, choosing and analyzing data for helping the management team to make strategic decisions and to assess organizational effectiveness*".

The important terms are strategic decisions and organizational effectiveness. Olufsen and Castberg (1998) indicate that management control to a greater extent has to adapt management control to these roles.

2.5 Summary

In light of changes mentioned it has in the recent years been large quantities and detailed literature about management control models and theories that tries to satisfy the demands of today's business environment which is characterized by rapid changes and uncertainty. It is especially globalization and internationalization of markets and competition, together with the technological progress that is emphasized as the most important reasons for the need for change in relation to the way of governing companies. We will further look at how the Beyond Budgeting-philosophy tries to fill this gap.

3.0 Budgeting or Beyond Budgeting?

The literature debating whether the budget should be abandoned or not has seemingly caused an increased awareness of the budget's role. In this section we will take a look at the role of the traditional budget and budgeting process. In addition we will look at how the Beyond Budgeting literature justifies its claims against the budget.

3.1 The budget - What is it?

The budget is according to Antony and Govindarajan (2007) an important tool for effective short-term planning and control in organizations and is the result from a budgeting process. Wildavsky (1989) explains that the budget serves diverse purposes and that the budget is translating financial resources into human purposes. The term budget has many different definitions due to the fact that it has somewhat different meaning in the different environments. In this case where the budget is an attempt to predict what is going to happen in the company's near future the amount of definitions are not lacking. Bergstrand et al. (1999:27) states that "*a budget is an action plan for the company with goals for its profit centers that describes the expected consequences expressed in economic terms and based on defined assumptions for a limited period*". If we look at the article by Jan Wallander published in 1999 the budget is described as a forecast and a plan for the company for the next year, and in some cases for the next two, three or even five years. The budget is built on forecasts concerning the general development of demand, prices, exchange rates, wages, costs and so on (Wallander, 1999). The budget has also been playing a central role when looking at motivation in relation to bonuses (Bergstrand et al. 1999). From this we can say that the budget has been playing an import role both for the employees in the businesses as well as the management. In an survey conducted by Shastri and Stout (2008) it was found that what companies considered budgets most useful in relation to decisions concerning strategy planning, resource/operational planning, communication, incentive rewards determination and operational control. When defining budgeting we can look at Blumentritt (2006) definition of budgeting as the process of allocating an organization's financial resources to its units, activities and investments. He states that many budgeting processes include a review of the prior period's financial results, projections for sales, operating expenses fixed, variable, and semi-variable) and financing expenses, examination of proposals for capital expenditures, and means of rolling up and rationalizing figures from different functional departments to ensure they meet company-wide profit expectations. Antony and Govindarajan (2007) emphasize that the process of preparing a budget should be distinguished from strategic planning and forecasting.

3.1.1 The budget's role in the management control system

The budget has been one of the fundamental methods of controlling businesses in the last century (Bergstrand et al. 1999). Bergstrand et al. (1999) states that the budget has been seen by many as bureaucratic and complex and therefore been criticized. During the 90ies the budget's situation seemed to have changed. The many big and drastic market changes had started to affect the businesses' way of thinking faster than ever before. With this change at its core the businesses started to evaluate their own systems and many have now gone to lengths of acquiring their own tailored systems (Bergstrand et al. 1999).

3.1.2 Types of budgets

Bergstrand et al. (1999) explains that when we talk about budgets we distinguish between four different types. These are fixed, revised, rolling and flexible budgets. Fixed budgets have many practical advantages. Some of these advantages are that they are easy to understand and make the distribution of responsibility clear and the budget can easily be used in follow-up process. Fixed budgets also have downsides. Having a fixed budget makes the organization less flexible and actions towards surprises during the budget period need to be carefully considered. According to Bergstrand et al. (1999) fixed budgets has been used in many large companies over the years but as mentioned earlier, during the 90ies the budget's situation changed as the market situation changed rapidly and new ways of looking at budgeting was needed. The revised budgets require more initial work since the budget has to be revised when obstacles appear. Apart from this it would give better guidance for the remaining period. It is worth mentioning that in addition to the extra work needed when revising the budget other downsides would be that the old budget disappears, original commitments becoming unclear and the follow-ups of responsibilities become harder to manage (Bergstrand et al., 1999). Bergstrand et al. (1999) explains that rolling budgets is a continuation of the revised method where it is revised several times during the year with a natural 12 month view ahead. The flexible budget is according to Bergstrand et al. (1999) in many cases to passive, where in several budgets for the same year. These are often volume based and can be calculated at any given time by using realized volume, which can be helpful for corporations that plot their course from the extent of external factors at any given time they have no control over.

3.1.3 The budget in relation to planning

Strategic planning is the process of deciding the nature and size of the several programs that are to be undertaken in implementing an organization's strategy (Antony and Govindarajan, 2007). What is similar between strategic planning and budgeting is that both concepts involve planning, but the activities and "view" are different. The budgeting process is most often a one year focus while strategic planning often has a long-term focus on activities (Antony and Govindarajan, 2007; Bergstrand et al., 1999). Antony and Govindarajan (2007) emphasize that strategic planning provides the framework within which the annual budget is developed. Another difference between the budget and strategic planning is according to Bergstrand et al. (1999) that while the strategic planning often is done by a limited number of key people the budget should include all leaders to create a common motivation towards the company's focus areas.

3.1.4 Budget criticism

Though there have been a ambivalence towards budgeting for decades it is in the last few years that the we have seen that the budget has gone from playing central role in the organizations' control systems to being the subject of considerable criticism (Libby and Lindsay, 2003). The CEO of Swedish Handelsbanken, Jan Wallander, was one of the first to draw focus towards the drawbacks of budgeting back in the seventies saying that it was an "unnecessary evil". He states that governing with the budget as a tool makes the management have a reduced chance of handling changes and gaps in trends in the market. Wallander's strong statements against the use of budgets as tools in the management process have created a lot of attention:

> "*A budget will thus either prove roughly right, and then it will be trite, or it will be disastrously wrong, in which it will be dangerous. My conclusion is thus: Scrap it!*" (Wallander, 1999:411)

Now more and more companies are reevaluating their methods of budgeting and also turning their back to the budget completely. Wallander (1999) explains that the budget's assumptions about the future are made by outside experts and government bodies. They are then given to the different departments within the company by the head office and the departments then have to draw their conclusions and make their forecasts on the basis of these general assumptions and their knowledge about what is happening in their department and in their specific market. Thus the extent to which the budget will come true depends on how accurate all these assumptions prove to be. Wallander (1999) states that the budget is often based on predictions that are generally ill-founded and that we have gotten the habit that we, especially in profitable times, expect the positive trends to continue indefinitely. This is what Wallander called "Same weather tomorrow as today"-type of forecasting. Will budgets be able to foresee if there are breaks in these "same weather"-assumptions? Wallander argues that if the budget where to show that something completely new was going to happen, a revolutionary departure from earlier trends so that you will have to reconsider your whole operation, and if such a forecast prove true, then of course the budget would have been extremely valuable. However, this is something that Wallander emphasizes that the budget will not show. The main reason for this is that we have no ability to foresee something of which we have no previous experience of. It is stated that *"the traditional management control often is focused on the use of plan oriented management models with strong budget control that not always work in dynamic and complex environments*" (Ernst & Young, 2006:3). In other words; there have been strong arguments against the use of historical trends projection in the budgeting process and as a governing tool. In addition to this Hope and Fraser (2003) mentions gaming behavior when rewards are concerned as a significant downside with budgeting as well as the excess use of resources consumed by producing budgets. The gaming behavior mentioned happens because the traditional budget-based compensation plans provide economic incentive for subordinate managers to misrepresent (understate) their productivity and build slack into the budgets (Fisher et al., 2002). This slack, according to Fisher et al. (2002), creates a bias in budgets and can reduce firm profits due to costly planning errors and greater compensation or perquisite consumption by subordinate managers. Other central elements in management control are criticized are the traditional estimations. Product, service, and customer estimates are important tools for most companies (Bjørnenak, 1996). Companies are all engaged in finding what products and services will cost to produce. The measuring of cost efficiency is important not only to understand how the companies use its resources in relation to value creation, but also because many companies use positioning of the low-cost concepts as competitive advantage in the market. One of the reasons that calculation methods like Activity-based costing (ABC) have emerged as a suitable tool for modern calculations could be connected to the changes in cost structure. Bjørnenak (1996) emphasize that it is important to understand that the changes in companies' cost structure puts new demands on calculation methods. He points to the transition from large amount of direct costs, the costs that without problems can be related to the product, to a larger amount of indirect costs.

> *"Even though these large changes continue to happen, we continue to use the same methods, e.g. product calculations, as it was used 50 years ago"* (Bjørnenak, 1993:1).

We will not be focusing more on the problems related to calculations but we want to point out that the changes on cost structure is helping to illustrate the complex and continuing change of companies, and that it creates new demand relating to how to better govern companies.

3.2 Beyond Budgeting

The extensive use of budgeting and its usefulness has as mentioned come under heavy criticism in the literature. Jeremy Hope and Robin Fraser, co-founders of the Beyond Budgeting Round Table, published in 2003 a book called 'Beyond Budgeting: How managers Can Break Free from the Annual Performance Trap' which builds on case-based research and shared learning over a period of five years. Much of the literature concerning the Beyond Budgeting model refers to this publication and much of the description in this thesis of the Beyond Budgeting model is derived from their work.

According to Hope and Fraser (2003) Beyond Budgeting is not a toolset to fix specific problems with the budget nor is it a set of processes that can be handpicked to fit specific needs. Beyond Budgeting is an alternative management model based on decision-making needs. Central for the Beyond Budgeting model is that it is not a quick fix but rather an extensive upheaval of managers' and employees' way of thinking.

3.2.1 Why Beyond Budgeting?

Bogsnes (2009), which is working with the implementation of Beyond Budgeting in a leading Norwegian oil and gas company, claims that some of the problems with traditional budgeting are directly linked to budgets and budgeting whiles others are indirectly linked to the budgeting mind-set of command and control. Some of the problems Bogsnes list does include, but does not limit to, the following problems:

• Trust	• Cost management	• Target setting and evaluation	• Bonus
• Rhythm	• **Quality**	• Efficiency	

We will focus on the "quality" problem which refers to the three elements of management control in particular. We do not wish to go into detail of the other problems, they serve rather as a summary of what Bogsnes (2009) believes to be some of the main problems with the traditional budgets and budgeting process. These are, according to Bogsnes (2009), part of a larger and systematic problem. They cannot be fixed by simply introduce new tools or process. New leadership principles and process principles are needed in the effort to introduce and implement Beyond Budgeting. The real challenge is to change the old mind-set.

3.2.2 The quality problem – targets, forecasts and resource allocation

Bogsnes (2009) states that setting good targets, reliable forecasts, and ensuring an effective resource allocation are all important elements in a good performance management model. The main problem is that these three elements are not working well together combined in a process that shows one number, which the traditional budgeting process usually does. Bogsnes (2009) claims that such a process influence the quality of all of them. In order to deal with the problem they make combined, he breaks the three elements down and explains why they are not working well together and indicate how they should work individually. The purpose of the forecast is to increase the awareness to issues arising early enough to respond to the problem. In order to do this the forecast should be the best guess of the future. The problem with the budgeting process is that when target setting is introduced to the forecast the quality of the forecast is compromised. If the people that are asked to provide a sales forecast know it is directly tied to target setting, the forecast starts moving. This is common because targets are usually closely tied to bonus- and incentive schemes (Bogsnes 2009). According to the findings in a survey by KPMG (2007) only a minority of the firms produce forecasts that are within five percent of the actual results (see appendix 1). The report also finds that inaccurate forecasts impact share prices. Lastly the report finds that the most accurate forecasters are able to use the estimates to underpin performance management and strategic decisions. The last point regarding strategic decisions could be closely tied to Bogsnes (2009) point of getting issues on the radar early in order to respond to them. The importance of being crucially honest in forecasts is pinpointed by both Bogsnes and the KPMG report.

Accordingly the quality problem happens on the cost side as well. If inquiries regarding expected level of resources required for the next year are known to become the next year's cost budget, the number starts moving as opposed to if they were independent and unaffected processes. Usually the level of resources would become overstated so a cost overrun is less likely to happen (Bogsnes, 2009).

By combining target setting and resource allocation in a forecasting process we get what Bogsnes (2009) refers to as polluted quality in both the forecast and the other purposes. Furthermore, Bogsnes states that the targets and forecasts should not be combined because good targets needs to have an element of stretch and ambition. The reliable forecasts are important not only to enable the issues to appear early on the radar but it is part of a realization process of "where we are and where we are heading". The separation of forecast and targets are crucial in order to receive early warnings regarding gaps between plans and targets. Hence the improvements are unlikely to appear until the tree purposes are separated. This is because targets should be ambitious and forecasts realistic. To summarize the quality problem we state that the mixing of forecasts, targets, and resource allocation can create gaming. To separate and improve are the suggestions provided by Bogsnes in figure 3 which illustrates what they have done in StatoilHydro's approach to go Beyond Budgeting.

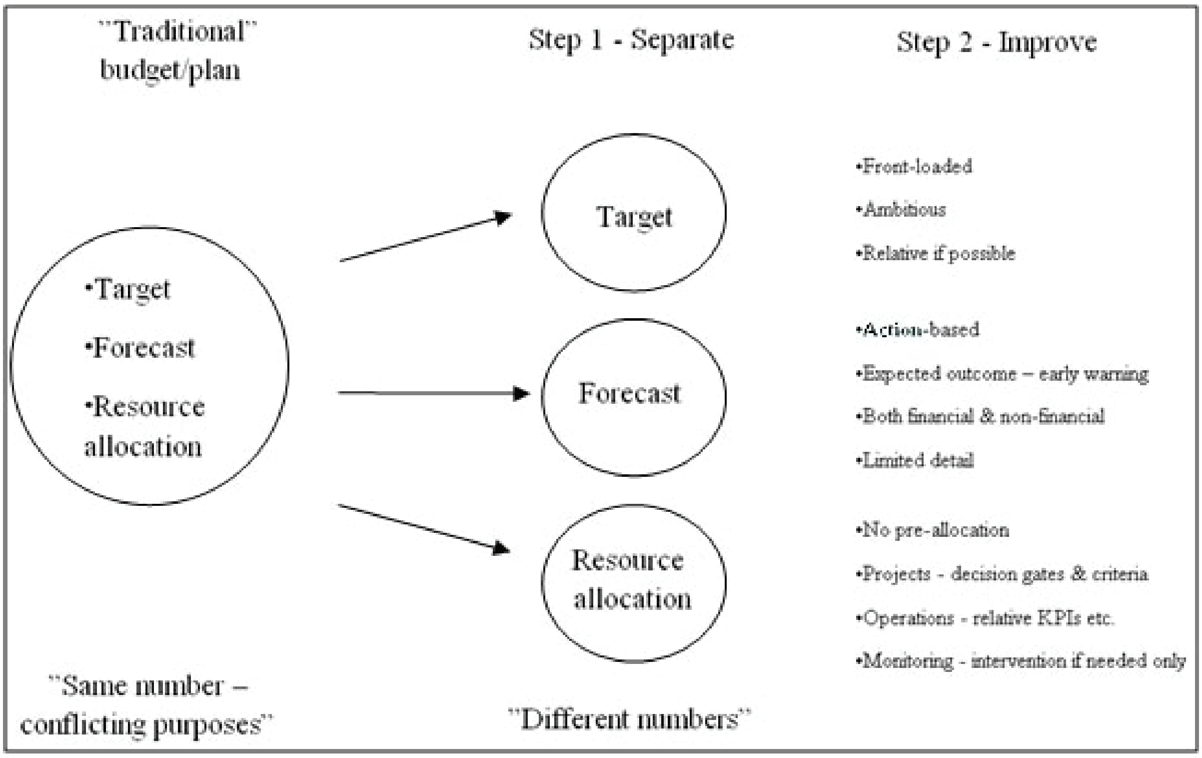


Figure 3 – Separating the Budget Purposes (Bogsnes, 2009:121)

3.2.3 Dynamic resource allocation

According to Bogsnes (2009) an efficient and responsible use of resources ultimately is what is desirable in order to maximize value creation. As he states in a Norwegian newspaper that "[…] *we want the bank to be open 12 months a year and not only during the annual budgeting process.*" (Aftenbladet, 2009). Furthermore he states that if the revenues are declining an appropriate response is not to adjust the targets but rather adjust the required rate of return in order to sharpen the activity level. Bogsnes points out in the article that they are not using less time on control but rather the fact that he believes they spend the time more reasonable. A case study presented by Max (2005) from the banking and financial sector in North America highlights the point of Bogsnes' statement above. The management in two of the banks stated that being able to plan and respond in a highly volatile world was crucial:

> […] *Management needed an approach which would allow them to manage expenses and investment spending on a much shorter term basis. They did not want to provide full year spending targets and authorizations which would prove difficult to adjust during the year*. (Max, 2005:6)

According to Ervik and Rønning (2008) will a dynamic resource allocation ensures that projects that are beneficial for the company, projects that fulfill certain criteria, always are evaluated and never become rejected because the prearranged allocated recourses has been spent, like an annual budget often does. One of the six principles of Beyond Budgeting presented by Hope and Fraser (2003) states that resources should become available when they are needed and this is one of the many elements that the traditional budgeting process has been criticized for. One of the key principles Bogsnes (2009) mentions is that resources are made available and allocated case by case. In order to increase the efficiency of the decisions regarding projects, Hope and Fraser (2003) especially highlights the need for decentralization of the decision authority. This could in turn increase the ownership lower level managers and employees have to the projects and potentially enhance the efforts put into it.

Bogsnes (2009) claims that decisions related to spending in a dynamic resource allocation framework should be based on whether it is correct to do, rather than if the budget allow it. This is illustrated in figure 4 based on StatoilHydro's approach to dynamic resource allocation:

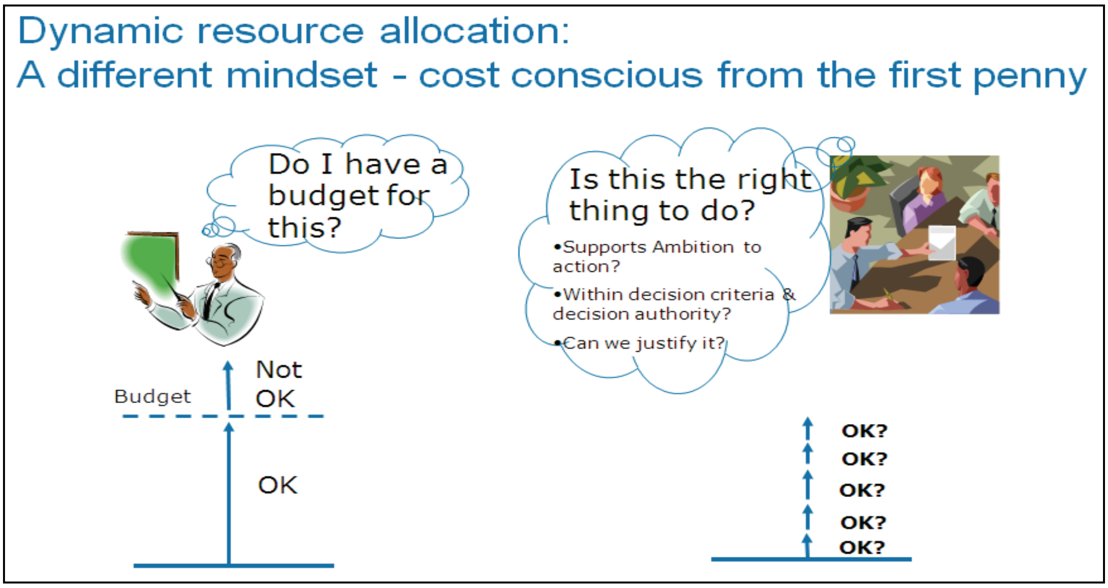


Figure 4 – A different mind-set (Bogsnes, 2009:140)

The figure illustrates how the old mind-set of "do I have the budget for this?" is replaced with "is this the right thing to do?" Bogsnes (2009) states that the mind-set illustrated in Figure 4 are necessary but not sufficient for an efficient resource allocation process. The toolbox of alternative mechanisms illustrated in figure 5 offers different alternatives to achieve a self-regulating dynamic resource allocation:

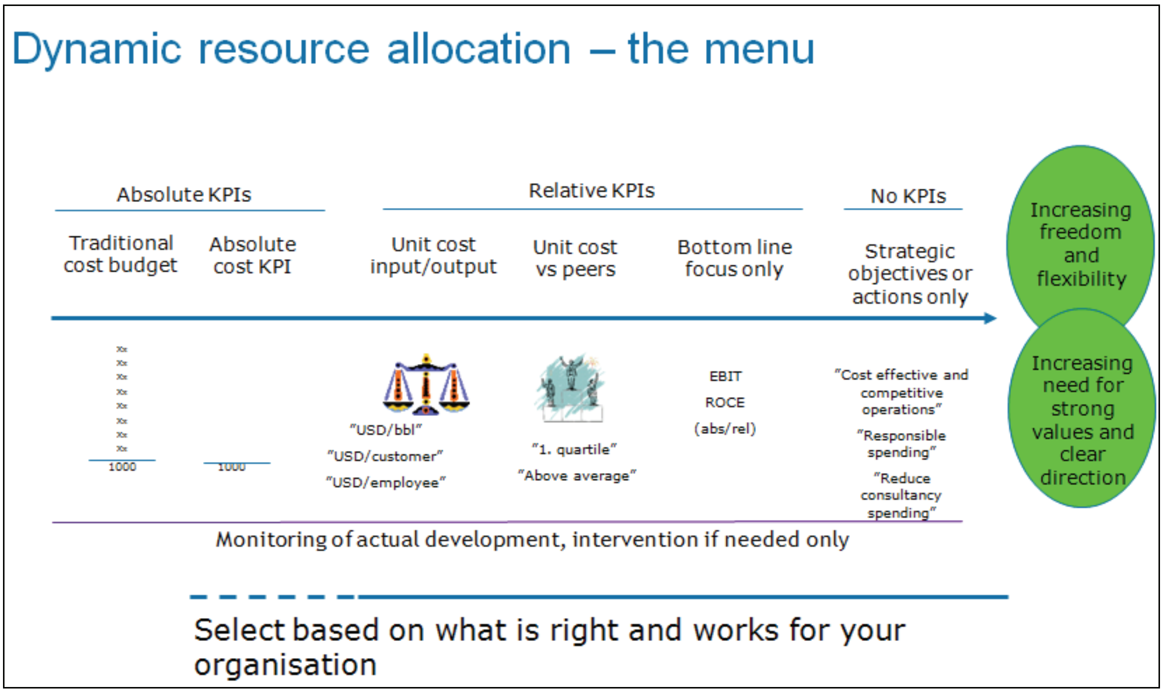


Figure 5 – Dynamic resource allocation – the menu (Bogsnes, 2009:142)

The freedom and flexibility increases as we move from left to right in the menu. Flexibility can be achieved for example by performing benchmarks. Freedom can be increased by dropping the details. The menu in figure 5 is what Bogsnes (2009) presents as supplement to the different mind-set in figure 4 which enables efficient resource allocation process

3.2.4 Rolling forecast and resource allocation

Rolling forecast is one of the approaches that the literature suggest can be helpful in the struggle to abandon budgeting. Jeremy Hope, Beyond Budgeting Roundtable Co-founder and Director, said that:

> *"You need to reduce the information overload, get rid of the crazy budgeting process, neutralize fixed targets and put forecasting right at the centre of the management process".* (Anonymous, 2005)

A survey by Libby and Lindsay (2007) claims that half of the respondents mentioned that the budgets were fixed and no changes could be made to them, as soon as they were accepted. The other half stated that they attempted to deal with the need to update and revise the budgets during the year on an ad hoc basis (25 percent), on a quarterly basis (15 percent), or on a rolling basis (10 percent).

Tanlu (2008) studies the effects adoption of rolling forecasts has on forecast quality in a multinational biotechnology supplier which retained the annual budget (equivalent to the 5-quarter rolling forecast). He found evidence consistent with reduced sandbagging behavior effect. Here sandbagging a budget refers to the act of padding the budget with slack. The reduced sandbagging appears to be driven by the constant updating of forecasts rather than the decoupling of explicit incentives from the forecasts. Even more interesting, the author find that forecasts made for periods further away tend to still be sandbagged showing the forecasts to be walked upward with each revision to become overly optimistic forecasts. There are two explanations presented in the article why these sandbagging behavioral effects in periods further away occur. One explanation is directly connected to the design of resource allocation in the organization. Because resource allocation decisions are partially based on forecast amount a forecast that is subsequently walked upward gives the forecaster an opportunity to potentially secure more resources. The second explanation presented is that forecasters might prefer to show upward forecast revisions to make they look more favorable. These finding does show that rolling forecast has some challenges to the design of how resource are allocated.

3.2.5 Can the Beyond Budgeting literature be trusted?

Despite the recent criticism of the budget, a survey by Libby and Lindsay (2007) among 212 IMA members found that 50 percent of the respondents agreed or strongly agreed that budgets are indispensable and that it would be impossible to manage without them (See appendix 2). Only 15 percent disagreed. Libby and Lindsay (2007) find evidence that the reality is not as clear cut as Hope and Fraser (2003) claims. This is confirmed in a similar survey by Shastri and Stout (2008). The perceived usefulness of the budget in the survey by Shastri and Stout (2008) is high, with more than fifty percent of the respondents perceiving the budgets as very useful or useful related to business objectives. The budget's perceived usefulness is highest in operational control and resource/operational planning. The control purpose of the budget is what Libby and Lindsay (2007) found to be one of the reasons why budgets are perceived as useful. Shastri and Stout (2008) also find that a majority is very satisfied or satisfied with the budgeting process even though the numbers are lower than to the perceived usefulness.

Regarding the weaknesses of the budget Libby and Lindsay (2007) present a mixed perception among the respondents. 28 percent of the respondents in the survey disagreed that budgeting is too time-consuming and costly, while equally many agreed that it is (see appendix 3). The average budget cycle took 10,3 weeks in the survey (each manager individually spending 2-3 weeks on the elements of the budget within his/her control) which the authors states is significantly shorter than Hope and Frazer suggests. 64 percent of the respondents agreed or somehow agree that budgets are slow on detecting problems while 51 percent disagree or somehow disagree that the budgets quickly become out of date. A majority of the respondents in the survey by Shastri and Stout (2008) claimed that they strongly disagree or disagreed with the negative behavior consequences of budgeting except for the encouragement of a myopic planning horizon. Contrary to the Beyond Budgeting literature represented by Hope and Fraser (2003), the survey found that the respondents strongly agreed or agreed that the budget supports continuous improvement, provides managers with information to respond to changes, leads to information and knowledge sharing, and encourage appropriate risk taking. Libby and Lindsay (2007) do however find that all five budget games surveyed occurs at least occasionally, with sandbagging and deferring necessary expenditures as the two most common budgeting games (see appendix 4).

3.3 Summary

The recent criticism of the extensive use of budgets has revealed that there are a wide range of elements that are questioned concerning its use. The budgets historical data and infrequent updates create difficulties for organizations to keep up with changes in the environment. Bogsnes (2009) describes how the budget show the same number with conflicting purposes related to targets, forecasts and resource allocation. Even though the budget seemingly has it flaws there are still practitioners and academics who do not think the budget has lost its relevance. The surveys by Libby and Lindsay (2007) and Shastri and Stout (2008) were both conducted among managers within accounting and finance. It seems that both of the surveys find evidence suggesting that the criticism the Beyond Budgeting literature focused towards the budget is to some extent out of harmony with how the managers within accounting and finance perceive the budget in the real world. Libby and Lindsay (2007) suggest that budgeting is not used as rigidly in organizations as the Beyond Budgeting literature claims. Their survey also finds that budgets are perceived as adding good value, despite its characteristics of being time consuming. Similar findings is presented by Shastri and Stout (2008) regarding the perceived usefulness of the budget and the satisfaction with the business process. Libby and Lindsay (2007) conclude that their findings do not invalidate the management model Beyond Budgeting present, but it does find that the respondents clearly felt they could not manage without budgets. The survey showed that much of the criticism against budgets are valid but it seems like the respondents preferred to improved the budgeting process instead of replacing it with Beyond Budgeting.

4.0 Institutional theory

Institutional theory represents a way of understanding organizations. According to Dillard et al. (2004) institutional theory is becoming one of the dominating perspectives within organizational theory The last few decades there has been an institutional shift within the social sciences where the utility of institutional theories has been reasserted (Nielsen, 2005; Peters et al., 2008). Dillard et al. (2004) states that sociologically based institutional theorists earlier assumed that institutional ideas were only applicable to institutionalized organizations. This means, according to the author, that institutional theory now can be used to study all types of organizations because all organizations are institutionalized organizations. This is because all organizations are subject to regulative processes and operate under local and general governance structures (Scott, 1995 cited in Dillard et., 2004). Hence a definition of institutional theory can be:

> "*Institutional theory is a way of thinking about formal organization structures and the nature of the historically grounded social processes through which these structures develop*" (Dillard et al., 2004:508)

4.1 Institutionalism

According to Peters et al. (2008) has the concept of institutions has become an umbrella concept covering several different interpretations and definitions of institutions. The authors stress that institution "[…] *denotes structures, rules, practices and identities that – each in their own way – define the range of choice and shape political and social behavior*" (Peters et al., 2008 : 232).

Peters et al. (2008) mentions four main approaches to institutionalism: normative, rational choice, historical, and empirical. Even though the approaches are mainly derived from political science it is helpful in order to get an impression of the literature on institutionalism. **The normative approach** is what the authors call a "logic of appropriateness" which individuals acquire through their membership in the organization. Accordingly, the behavior of people within the organization can be explained by referring to normative standards as opposed to their desire to maximize individual utilities. These standards of behavior are a result of involvement with an institution and the institution are "social repositories of values". **The rational approach** is what the authors call "logic of consequentiality" where institutions are viewed as arrangements of rules and incentives. The behavior of individuals is a response to those basic components of institutional structure and can be closely tied to principal agent theory and game theory. The **historical** institutional approach is centered around "[…] *the policy and structural choices made during the formative period of the institution will have a persistent influence over its behavior for the remainder of its existence*" (Peters et al., 2008: 3). **Empirical** approach to institutionalism is the fourth approach that describes the body of literature that focus on whether institutions make a difference in policy choices or in political stability at all.

4.2 Institutional change and measurement

Critics of institutional theory have made a point that it is mainly static while the phenomena's it seeks to explain are dynamic (Peters et al., 2008). As stated in the definition of institutional theory on the previous page, Diller et al (2004) view all organizations as socially constituted and that are the subject of institutional processes. However there is a theoretical weakness regarding the understanding of both

> "[…] *the processes whereby institutional practices are established, transposed and decomposed or the socio-economic and political context that constitutes the framework for these organizational processes*" (Diller et al., 2004: 504).

Peters et al. (2008) claims that there are both theoretical inconsistencies within institutionalism as well as empirical problems. This is mainly because much research has been looking at organizations at a given point of time and mostly viewed organizations and practices as outcomes. The dynamics with change and the role of human agency is overlooked because the emphasis in research such as the one mentioned above is on the constraining and limiting nature of institutionalized beliefs and values.

Two types of institutional change is necessary to mention: the internal development of institutions (process of institutionalism or deinstitutionalization), and the change in values and/or structure that are assumed to characterize the institution. According to the approaches to institutionalism, rational choice means that an institutionalized institution can be changed through incentives that impact the individuals. Because of this, Peters et al. (2008) claims that institutions must *become* institutions. They claim that institutions are a variable and not a constant. The degree of institutionalization will vary and the central question will then be how to measure this. By referring to Samuel Huntington, Peters et al. (2008) mentions four concepts that are helpful in measuring the degree of institutionalization. Even though the literature still is mainly derived from political science, it is helpful for the review.

- Autonomy is concerned with the capacity of institutions to make and implement their own decisions. The degree of how independent the institutions are upon other organizations or institutions is helpful in order to establish an opinion on whether they are institutionalized.
- Adaptability describes to which extent an institution is able to adapt to changes in, and even mould, the environment. The ability to import needed resources despite changes in the environment is highlighted here.
- Complexity refers to thinking of structural differentiation. The capacity of the institution to construct internal structures to reach its goals and coping with the environment is reflected here.
- Coherence relates to the capability of the institution to manage the workload, as well as developing procedures to process tasks in a timely and acceptable manner. Decisions regarding core tasks and beliefs are also important.

Peters et al. (2008) stress that the variables mentioned above may be more manifestations of that institutionalization has occurred rather than being indicators of the concept itself.

Obviously, it's necessary to mention the measurement problem regarding what an institution is. Take for example historical approach; how big a change is needed for there to be a change? The normative approach requires a measure of the values that exist within the organization which puts stress on methodology. The rational choice in concerned with rules, constraints and available incentives, but much of the notions are hypothetical (like payoffs in game theory). If a rule is introduced but not followed the central question must be when is a rule really a rule? (Peters et al., 2008).

4.3 Framework for accounting as a social and institutional practice

The claim that accounting has come to be regarded as a social and institutional practice has been done by Miller (1994). According to Miller (1994:1) it is because "*accounting can be seen as a set of practices that affects the type of world we live in, the type of social reality we inhibit, the way we understand the choices open to business undertakings and individuals, the way in which we manage and organize activities and processes of diverse types, and the way* *in which we administer the lives of others*". The reality of costs and returns people are asked to acknowledge and respond to is created by the accounting practices. Miller (1994) states that accounting practices define the profits and the losses to which various parties react, and he points to three aspects of accounting as a social and institutional practice. These three are *Technology, Rationales,* and *Processes* (in the form of a combination of the first two). Miller (1994) emphasizes that:

- To reconfigure an organization is to change lines of responsibility and the possibilities of actions by a change in the form of visibility. To evaluate performance by reference to normalized returns on investment, or by benchmarking costs against those of competitors, is to change the incentive structure and impose the requirement that actions conform to the calculations that will be made of them. Accounting as a ***technology*** is according to Miller (1994) a way of intervening, a device to act upon activities, individuals and objects in such a way that the world may be transformed. Accounting introduces a particular form of visibility to events and processes, and in so doing help to change them.

- ***Rationales*** are aspects of accounting that can be used to designate the social and institutional practice. Accounting practices are more than numerical computations. It also involves particular discursive representations and vocabularies assembled at various collective levels in relation to disparate concerns. Rationales are therefore an understanding of the big picture of processes, and numerical computations (costs, profits, loss, etc) and how they relate to each other. Rationales provide, according to Miller (1994), the basis for a wider elaboration and spreading of the calculative devises, and rationales of costliness and efficiency, of decision-making, of responsibility, of competitiveness come to constitute truths in the name of which organizations are to be remade, processes reconfigured. These truths come to be taken as essentials for the proper government of economic and social life.

- With the view of accounting as a social and institutional practice Miller (1994) try to draw attention to the ways in which the economic domain is constituted and reconstituted. It is through the calculative machinery of accountancy that highly disparate ways of producing and providing things are made knowable in economic terms. The combination of technologies and rationales provide the organization with

> abstract images of economic theory and the domain of economic ***processes*** is itself seen to be an important part the outcome of this combination.

These three aspects of accounting are according to Miller (1994) complementary. Technologies depend on rationales as a way of setting out the ends and objectives of particular ways of calculating. Specific rationales can entail appeals for more accounting, or a new way of accounting. The combined effect of calculative technologies together with rationales that give them their wider significance can be to constitute and reconstitute the realm of financial flows into which organizations can be transformed. To address all three together is to address the conditions, capacities and consequences of accounting.

Part III – Methodology

This part will explain how we have chosen to organize the process of the thesis. We will especially focus on the choices we have made regarding strategy, method and data analysis. In the management research literature there is a strong focus on providing a throughout and critical understanding of the type of research and work that is being conducted. Here we will reflect upon the work we are undertaking.

5.0 The Philosophy of Science – The Process

The philosophy of science is concerned about how we collect information from "reality" and how this data is analyzed. Before we elaborate about the process we will briefly mention where we stand in relation to philosophical position.

Research is influenced by the philosophical position of the researchers. We belong to what the literature refers to as social constructionists. We share beliefs that: "[…] *"reality" is not objective and exterior, but is social constructed and given meaning by people*" (Easterby-Smith et al., 2008:58) which gives birth to our interpretive methods. We believe it is hard to claim a position that is corresponding to all of the theoretical aspects. In our case we find that our epistemological view is corresponding to the majority of elements of methodologies in social constructionism (see appendix 5). However, there are some exceptions. I.e. the aim of the research is more in line with positivism and relativism – the aim has not been to invent but rather discover and expose. Our viewpoints are reflected in the way the research process is organized and conducted. The design of the research has nothing to do with the experiments of positivism but is rather characterized by reflexitivity where we reflect upon the effects we may have had or have on the outcome and process of the research.

Our approach to the thesis has similarities to the framework for research process provided by Johannessen et al. (2004). This representation consists of the four steps which is preparation, data collection, data analysis, and reporting:

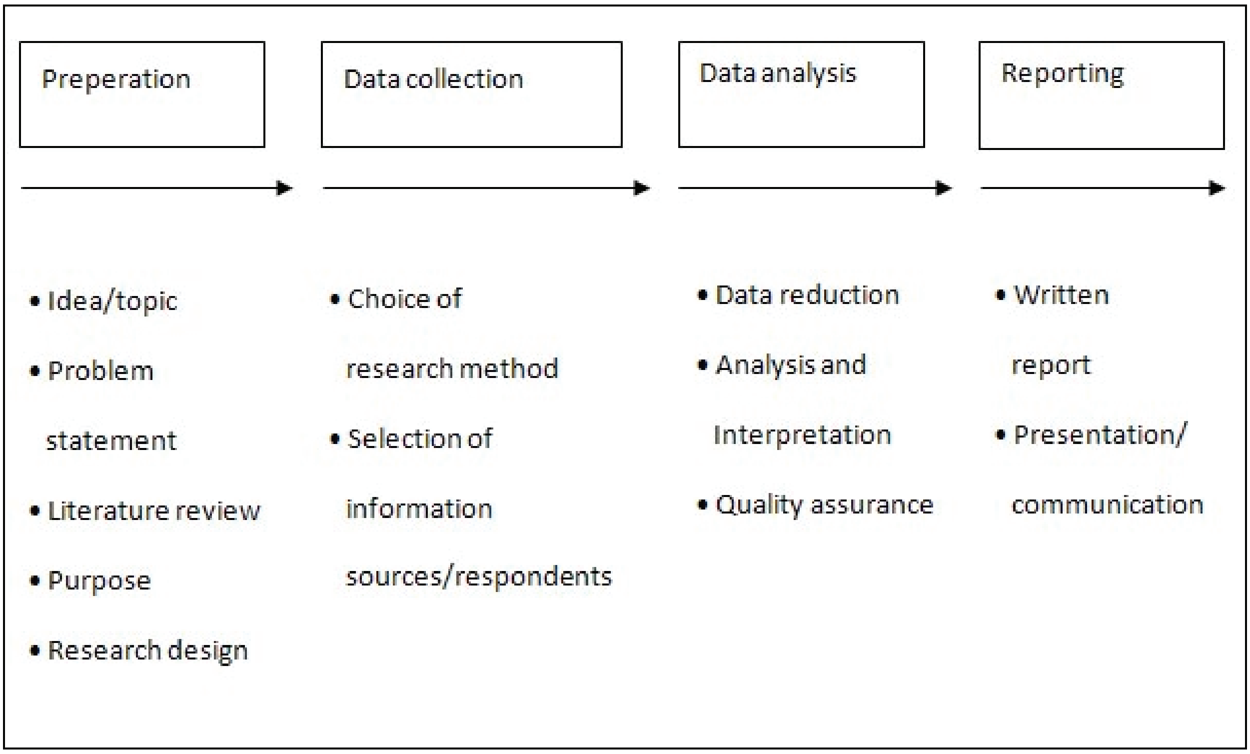


Figure 6 – The research process (Johannessen et al., 2004:39)

The methodological part is mainly organized in accordance with the research process in figure 6. This means that there is one part for each of the steps of preparation, data collection and data analysis. Additionally there is a part regarding validity, reliability and ethical aspects in the thesis. Despite the organized representation of the research process, writing the thesis has not been as organized. The figure above rather function as a framework representing how we have dealt with the elements in the process and this way gives a better overview of the work undertaken. With this we mean that the actual process of writing the thesis has had a more continuous cycle within the framework. For example during the process of writing this thesis we reached step two, the data collection, when we realized the process had to be reviewed. We then moved back to step one and started from the beginning. We believe that this approach to the methodological chapter enables us to provide a throughout and critical understanding of the type of research and work that is being conducted.

5.1 Preparation

According to the figure above the first step in the research process deals with elements regarding topic, motivation, problem statement, purpose and research design.

5.1.1 Topic, motivation and problem statement

The formulation of the problem statement drives the process of research. The research process becomes characterized by how you formulate the research question (Johannessen et al., 2004). The topic of the thesis is the implementation of Going Dynamic in Telenor and our area of focus is upon the elements of management control. The problem statement mentioned earlier is:

The implementation of Going Dynamic in Telenor from a management control perspective:
- *Why and how has Telenor gone Beyond Budgeting*?

How did the problem statement come about? We decided at an early point to pursuit our interested in Telenor and its journey to go Beyond Budgeting. Our interest for management control has increased throughout our education and we have chosen it as our specialization on both bachelor and master level.

We do find the topic, first of all, highly interestingly due to the nature of the discussion regarding the relevance of budgeting. The budget and the budgeting process has come under heavy criticism lately if it's justified has rather large consequences for how the business operates. Secondly, the literature on Beyond Budgeting seems to focus on success stories of companies where especially the banking and finance industry has received a lot of attention, represented mainly by the Swedish company Handelsbanken. Even though recent literature has revealed that more businesses across different industries has initiated projects to go Beyond Budgeting, we feel that Telenor represent an industry which operates in a marketplace which is rather new and unexplored. Thirdly there seems to be a limited amount of literature regarding whether and how the transformation to go Beyond Budgeting impacts management control.

When we embarked on the journey to study the implementation of Beyond Budgeting we had Telenor in mind as our preferred business to study. This is because a recent Norwegian master thesis by Ervik and Rønning (2007) mentioned that Telenor are undertaking this work. The literature on Beyond Budgeting suggests that each journey to go Beyond Budgeting is unique and must be customized the specific company. Originally we indented to study the topic of decentralization of decision authority and how to adapt and design the information system in

Telenor. After an initial interview with Kjersti Thoen, which is the project leader for Going Dynamic, we learned that Telenor has not yet reached this stage of the implementation. She suggested that we could study the coordination of resource allocation in the market outlets. The market outlets are organized in a fashion which makes them highly relevant for such a study.

We quickly became interested in resource allocation as limited literature exists of it, especially within the budgeting literature. The budget's inability to handle allocation of resources has been criticized in the literature. However, during the interviews we realized that the information we received was connected to elements beyond resource allocation. Looking back at the empirical data we had it became clear that it would prove difficult to study resource allocation separately from the whole system of management control. With assistance from our supervisor we decided to study whether the implementation of Going Dynamic had impacted management control in Telenor.

5.1.2 Design

Research design is concerned with the organization of the activities in the research process (Johannessen et al., 2004). The methodological approach we have chosen is of a qualitative nature. The term design comes from the Latin word *signum* and means sign or indication. In research the word design turn on shaping. Researchers usually start off with the research question and evaluate how it's possible to carry out the research from beginning to end (Johannessen et al., 2004). In qualitative design the researcher has a wide range of traditions to choose from when conducting the research. It is however important to realize that the term "anything goes" is inappropriate. Choices regarding how to collect data at an early stage limit possibilities at later stages. There are three central elements to deal with in design. The first is related to the time dimension and whether the study will be carried out at a point in time or over longer periods of time. The second element is related to the sampling size and whether there's one population or an experiment with several groups. The third element deals with the choice between collections of either soft or hard data.

The study in this thesis is limited to be carried out at one point in time. As prior mentioned did the study originally set out to look at resource allocation. However as empirical data was collected and we realized that it was part of a larger management control picture it influenced us to look at Going Dynamic from a wider perspective. The second element regarding unit of analysis answers which level data is aggregated. The unit of analysis in the study is at an individual level across different units within the organization. This will be discussed closer in the case study chapter. In regards to the third element we decided at an early point to collect soft data. Hard data can be quantified by numbers. Soft data is usually text, sound or picture (Johannessen et al., 2004). This is because we believe that a study of major transformations, like the implementation of Going Dynamic, may hardly be done by looking at hard data.

5.2 Data collection

The second step in the research process formulates the choice of research method, selection of informants and data collection method.

5.2.1 Research and data collection method

The data has been collected by using a qualitative method. The qualitative method reflects the characters or properties of data, unlike the quantitative method which in a stronger way relies on the amount or sum of data. Johannessen et al. (2004) claim that one of the main differences are that research that applies the qualitative method usually are interested in exploring a selection of the population. From this the researcher hopefully is able to generalize or make up an opinion about the results level of generalizability. The term *generalizability* reflects to which extent the observations or theories derived from one context can be applied to other contexts. The term *population* refers to the set of entities from which the researcher wishes to draw his conclusions (Easterby-Smith et al., 2008). The result from this thesis cannot be generalized due our interpretative approach to data analysis and the case design. Each organization's journey to go Beyond Budgeting is unique and it makes generalization difficult

According to Johannessen et al. (2004) qualitative data is characterized by the high level of flexibility and openness. We decided at an early stage to conduct our research through interviews. The main reason for choosing to use a qualitative data collection method is mainly because the topic of going Beyond Budgeting, from our point of view, would be impossible to explore solely using quantitative data. Initially we considered combining qualitative data with quantitative through a survey in order to explore where the challenges of

Going Dynamic would be. However due to the vast amounts of data collected in the interviews this was abandoned. Also we did not believe that a survey would be hugely beneficial answering the problem statement. In order for us to be able to approach the problem statement we first need to obtain a thorough understanding of Telenor and its way of operating. There are no exact approaches to many of the questions raised by abandoning the budget and we do not believe a quantitative approach will be as useful to us.

We chose guided open interviews (see appendix 6) which are categorized as semi-structured interviews (Easterby-Smith et al., 2008). We found this approach useful at the early stages of our explorative study. The semi structured interview was useful throughout all of our interviews and we had already decided to look at the challenges of Going Dynamic at the initial interview. After agreeing with Thoen to look at resource allocation we kept the semi structured interview for the remaining data collection process. Despite our focus, which was mainly on resources allocation at this point, we incorporated three elements of management control: target, resource allocation and prognoses. This enabled us to look at management control from a wider perspective at a later point.

5.2.2 Case study

We have chosen a case study to approach our problem statement. The word case comes from the Latin word *casus* which means “incident”. Case studies tend to look in depths on one or a few incidents. It could be individuals, organizations, events, activities or similar entities (Johannessen et al., 2004). Robert Yin is considered to be one of the spokesmen for case studies. He suggests that the designs should be developed before any data is collected. This includes main question (problem statement), unit of analysis, procedures for data processing (interpretation) and link between data and propositions (Easterby-Smith et al., 2008). If we use his well known table, displaying the two dimensions of case studies, it’s obvious that we have chosen an embedded single-case design as illustrated in the table below:

	Single-case design	Multiple-case designs
Holistic (Single-unit of analysis)	The study of a connected unit	The study of multiple areas or people across time and space
Embedded (Multiple units of analysis)	The study of one area but a selective focus on a limited selection of people/incidents	Multi-case designs focusing on a selection of areas and/or people

Table 1 – Basic types of Designs for Case Studies (Yin, 2003:40)

We cannot claim to have fulfilled the steps suggested by Robert Yin. We did change the problem statement several times in the process of writing the thesis. The topic was clear from the beginning; however we realized the problem statement connected to resource allocation could not be studied isolated. The unit of analysis became clear quite early, more specifically after the initial interview. The market outlets are involved with all three aspect of management control. In terms of where the study fits it would be within Robert Yin's embedded single-case design. We study the area of Going Dynamic in Telenor and have a limited selection of respondents in the two market outlets.

5.2.3 Data sources

During the data collection process you can collect either primary or secondary data. Primary data is new information collected by the researcher while secondary data is data material which already exists (Johannessen et al., 2004). The data collected is both primary and secondary. We collected primary data from our respondents through semi structured interviews. We conducted the first interview with Kjersti Thoen at Telenor's main office in Oslo, Norway. The remaining interviews were carried out by telephone. This is mainly due to practical reasons. The theories we use as a frame of reference derived from secondary data. Some of our secondary data is also collected from internal Telenor documents.

5.2.4 Selection of informants

According to Johannessen et al. (2004) the process of selecting informants is highly important. How large the sampling size should be, which in qualitative term means the number of informants you are to interview, is hard to know. The sampling size must be seen in relation to the research question and should continue until there are no new information is retrievable. Who and how many to select has to be seen in relation to the research question. The selection has a great impact upon the data collected which eventually influences the analysis and conclusion.

The selection of informants we have chosen is closely related to what Johannessen et al. (2004) refer to as the "snowball method". This method is characterized by the informants are chosen by making inquiries about who that has knowledge about the topic. These informants are then asked the same question and this way the snowball start to roll. After the initial interview with Thoen, were we decided take a closer look at the mechanisms for resource allocation, we asked her who we should talk to regarding the mechanisms for resource allocation. She provided us with names from the two market outlets and from the network division. At the end of the interviews with these informants we inquired about who we could talk to in order to continue our research. During the interviews with people who had knowledge about the mechanisms for resource allocation we quickly discovered that they had different approaches to the topic. The informants on the list represented different market segments and were located in divisions who had different areas of responsibility. By this we mean that they were either dealing with revenues or with expenses. At the end of the interviews we inquired about other possible informants in the divisions. This could typically be that we asked someone who was dealing with the expenses in the consumer market outlet to refer us to an informant responsible for the revenues in the same market outlet. This was done for both Business and for Consumer. As empirical data was collected we realized that we were in need to rethink the whole research process. We had to limit our area of focus and therefore could not include any of the data from the division called network, project and others. This was unfortunate since there were a lot of interesting elements. However, due to the similarities between the two market outlets it made it more logical to use a comparative approach to these two divisions.

The amount of data collected through the interviews was rather large. This has had some limitation upon how many informants that were chosen. The second reason that the sample size was not larger was due to the formulation of the research question. The study is limited to the three elements of management control in the two market outlets Business and Consumer.

5.3 Data analysis

When you are working with quantitative data there's no requirement that the person that analyze the data is the same one that collected it. But when you are dealing with qualitative data it may not make much sense to analyze data that other researchers has collected. This is because you are occupied with communicating the meaning of what has been collected. Our data is derived from notes taken during the interviews and the transcription from the sound recordings of the interviews. The secondary data collected is mainly used in the presentation of Telenor and its background. According to Johannessen et al. (2004) is one of the challenges within qualitative research design to get a reasonable result from a big amount of unstructured data. Handling the amount of information by reduction is another challenge. Lastly there's the challenge of identifying patterns and create a framework for communicating the content. How we have respondent to these challenge are the main focus in this part.

5.3.1 Organizing and interpretation of data

The starting point for the qualitative data analysis is usually data as text (Johannessen et al., 2004). Since we used sound recording of the interviews which were transcribed to text and then translated to English we possessed a fair amount of data. The purpose of this was to enable not only ourselves to understand the content but also played its purpose in validating the data we collected with the respondents after the interviews. The next step was to organize and systemize the data before we could start the interpretation. Johannessen et al. (2004:186) states that the data analysis has two purposes:

i. *Thematically organization of data*: Reduce, systemize, and arrange the data material without losing important information in order to make analysis possible.
ii. *Analysis and interpretation*: to analyze and develop interpretation of, and perspectives on, the information within the data material.

When we started organizing the data we used what Johannessen et al. (2004) refer to as a cross sectional and categorical classification of data. That means that we made labels that enabled us to identify and recognize certain themes in the text. An example of this is how we after the interviews made a support document where the data was organized to certain headings. Data connected to the elements of management control in Going Dynamic were organized under management control and its appropriate sub-heading of prognoses, resource allocation and targets. Links between the three elements, prior budgeting process and challenges for Going Dynamic are examples of other labels. This process was repeated for each of the interviews. This organization of data was helpful for us in order to get an overview of the entire data material. Here we realized that the three elements of management control are connected in a way which made it logical to look at the context in which they exist for both the old budgeting process and in the new role in Going Dynamic. The foundation for analysis was made during the organization of data. The focus was now on the transformation processes were Telenor abandoned the budget and introduced Going Dynamic.

As the analysis now required a theoretical perspective that enabled us to analyze the transformation process that are taking place in Telenor we went back to step one of the research process, and with assistance from our supervisor decided to apply the theories of Miller (1994). This enabled us to analyze the three research question with a focus upon the transformation process. The interpretation of the data in the thesis can be related to what Kvale, (1997, in Johannessen et al., 2004) refer to as an ad hoc generation of opinions where we combined different ways of approaching the interview data. We analyzed the data by reducing the statements of the informants to shorter and more precise formulation. During the organization of data we also performed a way of analyzing the data when we categorized it into labels. During the analysis we were to some extent performing interpretation of the informants' statements. For example when we compared statements regarding the three elements of management control we tried to look behind the information from the text. Some informants listed more challenges with Going Dynamic than others were. We tried to look beyond the statements and attempt to understand the hidden reasons for this. Someone listing more challenges than others does not necessarily mean that there is more resistance towards the new project. It may indicate that the ones listing more and critical opinions were indeed more honest and open than others were. It may as well be a result of them being enthusiastic but at the same time constructive and critical about the challenges. Even though this is insufficient to make conclusions on such a foundation it illustrates how we combined different interpretations of the statements informants provided. This horizon for understanding is similar to double hermeneutics illustrated by Nyeng (2004) in the figure below:

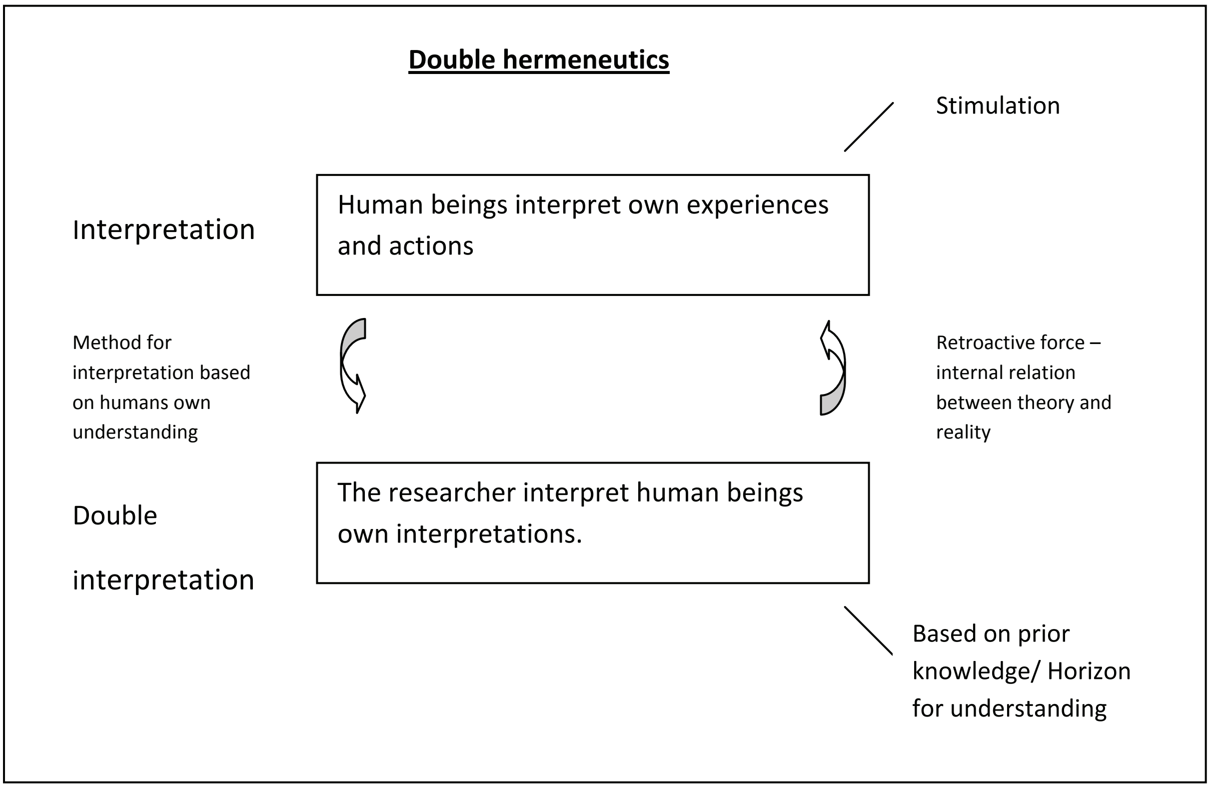


Figure 7 – Double hermeneutics (Nyeng, 2004:80)

The figure describes how our interpretation of the informants own interpretation happens. When we interpret the informants' interpretation it is influenced by our prior knowledge. This knowledge is best represented by our knowledge of Beyond Budgeting. This creates a retroactive force between theory and reality. Similarities can be seen to what Robert Yin (2003) describe as matching of patterns. During the interpretation we were searching for meanings and patterns in the two market outlets. This can be exemplified by the two market outlets interpretation of Going Dynamic and elements of management control. We were looking for patterns in their interpretation based on our prior knowledge of the Beyond Budgeting concept.

5.4 Reliability and validity

In qualitative research validity is closely connected to data. Data is not reality itself but rather a representation of it. To which extent the data represent the phenomena is important responding to in a study like this. Easterby-Smith et al. (2008:334) states that validity is "*the extent to which measures and research findings provide accurate representation of the things they are supposed to be describing*". A qualitative study like the one performed in this thesis will have some difficulty in order to defend its validity. One weakness of the study's validity is related to the selection of informants. It proves difficult to claim its validity since the respondents chosen were solely from the financial division. Even though they were working integrated towards the market outlets the study would seemingly have had an increased validity if respondents from the operational parts of the markets outlets were interviewed. A point that strengthens the validity of the study is that it focused on giving the respondents a thorough description of what we wanted to study ahead of the interviews either by telephone or e-mail. Also, the interview guides were sent well ahead of the interviews. The empirical data presented in the next section (including quotations) was sent back to the respondents for confirmation. This enabled us to minimize the possibilities of misunderstandings and confusing. All of the respondents except for one used the opportunity to comment on the transcribed interviews.

In order to evaluate the validity of a constructionist study Eaterby-Smith et al. (2008) emphasize that it should explain if the study clearly gain access to the experiences of those in the research setting. By briefly introducing the respondents in the empirical part we hope to increase the validity. Johannessen et al. (2004) refer to techniques that increase validity in qualitative research. Unfortunately we cannot claim to have either continual observation or method triangulation. This is mainly due to the available time horizon of the thesis. The third element of retrospective results is however fulfilled. Both by retrieving confirmation from respondents on the empirical data and through continuous dialogue with our supervisor and a fellow student who studies Beyond Budgeting we feel that the validity is met as far as possible. External validity is concerned with the results "generality". This refers to the study's ability to establish descriptions, notions, interpretations and explanations that are useful in other contexts (Johannessen et al., 2004). Even if every organizations journey to go Beyond Budgeting is unique, we believe that the way in which this transformation is analyzed in this thesis has external validity. We have applied the perspectives of Miller (1994) in order to study Telenor's transformation and we believe it can be done similar for other organizations.

Reliability is concerned with which data that is used, the way it's collected and how it's processed. According to Johannessen et al. (2004) are the reliability concerns "lesser" in qualitative research then they are within quantitative research. This is because the conversation usually guides the data collection and the data can be context-dependent. The authors claims that the best way of ensure a degree of reliability is by giving the reader a throughout description of the context and an open and detailed description of the whole process. This is what we have tried to achieve through this methodological part. Our focus has been to describe the process of writing in detail.

5.5 Ethical aspects

The ethical aspect is primarily concerned with that the research process is done truthfully and that it at the same time does not violate ethical aspect. In many ways ethics in research is concerned with principles, rules and guidelines that evaluate whether actions are right or wrong (Johannessen et al., 2004). We believe that the ten key principles in research ethics shown in the table below is a good point of departure:

1	Ensuring that no harm comes to participants
2	Respecting the dignity of research participants
3	Ensuring a fully informed consent of research participants
4	Protecting the privacy of research subjects
5	Ensuring the confidentiality of research data
6	Protecting the anonymity of individuals or organizations
7	Avoiding deception about the nature or aims of the research
8	Declaration of affiliations, founding sources, and conflicts of interest
9	Honesty and transparency in communicating about the research
10	Avoidance of any misleading, or false reporting of research findings

Table 2 – Key principles in research ethics (Easterby-Smith et al., 2008:134).

We believe the ways we have approached the process of writing the thesis are in accordance with the ten key principles in the table above. We have been occupied with communicating the purpose of the study to the participants. This is not only important for the validity of the thesis but also important from an ethical perspective. The participants were able to comment on the transcribed interviews and indicate which parts or statements that they wanted to make anonymous or left out. However, since one of the informants refrained from responding to the transcribed interview it potentially weakens the thesis in regards to a majority of the principles. Some of the content in all of the interviews has been subject to confidentiality. Even the participant who did not provide any comments to the transcription of the interview expressed orally which parts that should remain confidential and the guidelines for which content that could be published and cited. We find it highly unlikely that there has been any deception about the nature or aims of the research. It is our opinion that the nature of the research made it clear that the purpose of the study were not to impose negative views on Telenor or the way which it has introduced Going Dynamics. Our focus has been upon the transformation process and some of the challenges that Telenor is facing and we believe that the analysis and conclusion confirms this.

The analysis and conclusion are based on our understandings and interpretations and should not be regarded as a representation of the views of Telenor, the respondents or Bodø Graduate School of Business.

Part IV – Empirical Data

The following chapter will present empirical data mainly collected from the interviews with the project leader of Going Dynamic in Telenor Norway, Kjersti Thoen. Supplemented with secondary data the first chapter aims at introducing Telenor and the new management model. The next chapter in the empirical part will contain data from the two market outlets that are responsible for developing and introducing the new management model.

6.0 Telenor Group

Telenor Group is one of the largest mobile operators in the world with approximately 38000 employees situated in 13 different countries across Europe and Asia The history of Telenor's communication practices can be tracked back all the way to the mid 19th century. The communication services provided was more or less governmentally controlled at that time since The Telegraph Act that was passed in 1899 gave the Norwegian state authorization to take over the private telephone companies. The Norwegian Telegraph Administration as it was called back then changed its name to Norwegian Telecommunications (Televerket) in 1969 and the productions of communication services, now also included television broadcasting, continued without any competition until 1988 when the Norwegian Telecom's monopoly on the sale of telephone sets ends. In the years past we had seen the birth of new markets of satellite phones and soon the mobile technology was standing in the doorway ready to be introduced to the public. In 1994 Norwegian Telecom went from being a fully owned by the Norwegian state to being publicly owned. The change of name to Telenor happened the following year. After about 150 years of evolution within the telecommunication business we see Telenor as it stands today; a company with interests in many of today's countries around the world and a still continue to be a growing driving force in modern communications.

In addition to its own telephony and broadcast services, the Telenor Group has substantial activities in subsidiaries and joint venture operations. While some are seen as a pure financial investment, others are important in order to support and develop the core business of Telenor. The Telenor Group is dynamic and flexible in its business approach, always exploring new markets and new technologies to make long-term investments. This is part of the reason why

Telenor has grown from a national telephone service company in Norway to become the world's 7th largest mobile service provider in less than two decades

6.1 Telenor Norway

Telenor Norway (Telenor), which is the focus of this study, is a part of Telenor Group operating in Norway. Telenor is the largest provider of mobile and fixed telecommunication in Norway providing telecommunication services, i.e. telephone subscription, mobile subscriptions, broadband internet, as well as other products to both the private- and business market. In addition to this Telenor also provide telecommunication solutions to the wholesale market in Norway. We can clearly state that Telenor has a commercial complexity with a large span of activities going on within the company. In comparison to the group as a whole Telenor was contributing to approximately 25 percent of the groups yearly revenues in 2008 (Telenor, 2008). When it comes to future revenue growth in the Norwegian operations it is expected to reach 1 percent. Consequences due to the economic downturn at the present time the total market growth for the group is expected to slow down.

In addition to secondary data, much of the data presented in this chapter is as mentioned collected through interviews with Kjersti Thoen. Thoen is working in the Finance division of Telenor and is the Going Dynamic project leader. Her responsibility involves the follow-ups, evaluation of results, project responsibility of Going Dynamic, and responsibility for the quarterly forecasts used as help in governing. This mean that her work involves securing that the strategic goals Telenor have set actually is implemented and realized.

6.1.1 Management and budgets

Telenor before 2006 used budgets as their main tool for management control. The budget has been both liked and disliked by the users as mentioned in the earlier chapters. Telenor found the budget inadequate for their needs after analyzing how it was used and the process outcomes. The budget had more or less three purposes: setting clear goals and heading, being a tool in resource allocation, and an element in cost management. The budget was to a certain degree a good tool for control but it did not always contribute in providing the optimal management information. Thoen put it: "[...] *it is like the budget was grasping for more than it could handle".* Thoen explained the earlier method as a kind of *negotiation approach* where much time was spent deciding the budget every year as well as monthly negotiations concerning the budget and explaining deviations – time that might be better spent elsewhere or more efficiently. A strong budget culture like the culture in Telenor made it evident that it was at times not in the best interest of the company.

> *"[...] it became obvious that people sometimes where occupied with delivering on their individual budget goals more that the collective goals of the business."* - Thoen

Even though they now see the many disadvantages with the earlier method there were still some positive aspect by budget governing that is important to point out. The old method was very predictable and it gave a feeling of assurance and safety for many when it came to the use of monetary resources. Previously you got a set amount of money allocated that you were to guard and spend during the year, nothing more nothing less. This kind of allocation made the responsibilities clear and the same goes when focusing goals. The budget made it easy to communicate these aspects to everyone involved since it was what people for a long time had been using. Though the previous management method had several positive aspects it had difficulties when it came to producing real and up-to-date information. Also, when you know that the budget sets the basis of bonuses decisions, people find it important to make it as easily obtainable as possible. Because of this, and other reasons that will be discussed later, Telenor reevaluated the existing governing method and started to seek alternatives.

6.1.2 New management model - Going Dynamic

The initiative to begin the journey towards implementing Beyond Budgeting in Telenor was done by the top management in the Telenor Group, starting with Trond Westli, the CFO of the Telenor Group. This was in 2006 and Telenor are gradually moving forward with the implementation, but as Thoen confirms; *"we still have some distance to travel until they reach the finishing line*". The first year of operation the project consisted of three pilots that where going to have one year head start on the implementation. The three pilots were Digi in Malaysia, dTac in Thailand and Broadcast in Norway.

Going Dynamic is the name chosen for this ongoing project in Telenor. Telenor found, as mentioned earlier, after analyzing the then existing way of governing that it was not adequate for the company's needs.

> *"What we found was that the existing way of governing was not adequate. The growth in certain markets was higher than anticipated. The budget assumptions and goals we had in relations to these markets were therefore insufficient. It was not good enough*

> *just to deliver on the budget and when everything was based on the budget (follow-ups, bonus agreements etc) there were no incentive for the employees to go beyond the budget and the goals*." – Thoen

In addition to the above statement they found that the work related to strategy development and future approximations was not used to its full potential. This was something Telenor had a desire to change and believed that Going Dynamic could provide the means of rectifying the problem, but this involves a thorough understanding and willingness to change and adapt - as Thoen stated; "*parts of the Norwegian organization and people have tradition and culture that is strong and is hard to unravel".* When discussing why to implement a more *dynamic* model it got explained early on that there was a desire for

> "[…] *the ability to adapt and react faster, for example to customer requirements and to be able to plan for customer requirements more than economic planning - as it was done in the old Televerket. This as well as being able to move resources internally where it is needed is of great importance to us"* - Thoen

Telenor came up with the following Going Dynamic management model:

Figure 8 – Going Dynamic Model (Telenor, 2009a; Telenor, 2009d)

With the above model as a framework we can see that Telenor's focus is strong when it comes to the relationship between establishing *strategy and ambition*, *operationalizing the strategy* and *reporting and forecasting, follow-ups, reviews, and planning,* and *implementations.* With this Telenor hopes to establish a stronger link between the strategy and operations that result in being able to respond to rapid changes and being able to initiate necessary actions accordingly. In addition they hope at the same time to maintain the same level of control as before. Telenor sees this model as a more improved and forward looking management model than what have been used before (Telenor, 2009b; Telenor, 2009c). The Going Dynamic model increase probability of getting more forward looking financial and operating information as well as removing the yearly budget process. In addition, well defined responsibilities and documented management processes will strengthen and clarify the roles of individuals. Telenor states that this kind of cultivation will encourage everyone to perform as business owners.

Telenor found that the budgeting process, which they now are distancing themselves from, have been time consuming for the actors involved. When asked the question if they believe Going Dynamic will reduce the time spent on similar processes the answer was *"probably not"*. The main intention of implementing Going Dynamic in Telenor did not include this reduction as a priority which is also supported by previous research (Ervik and Rønning, 2008).

7.0 The Market Outlets

This chapter consists mainly of empirical data from interviews with people working in the finance department which are working integrated towards what is called market outlets.

Telenor has organized their operations into three segmented market outlets. One is directed towards the private consumer market (B2C) and is called Consumer. The second market outlet is working towards companies (B2B) and is called Business. The third market outlet focuses on the wholesale market. The empirical data in the thesis is collected from the two market outlets called Consumer and Business. The market outlets are responsible for everything that has to do with customer relations like customer care, sale, and marketing. The respondents which the data is collected from are organized in the finance department but they are working integrated with either of the two market outlets.

7.1 Market Outlet Business – Revenue focus

The market outlet called Business is selling Telenor's products to firms and is what in literature is called business to business (B2B). The finance department has around twenty employees who are working integrated towards the market outlet Business. The empirical data is collected from people that working specifically with either revenues or expenses. The different divisions and units are organized differently depending on the function and area of responsibility. The data is specifically directed towards the relationship between the prognoses, targets, and resource allocation.

The empirical data is mainly derived from the interview with Håvard Naustdal which is working in the Finance division. He is mainly responsible for the revenues regarding the Norwegian corporate mobile business. His unit is working integrated towards the market outlet in Business.

7.1.1 The prognoses

Naustdal explains that the prognoses are made every month but only reported quarterly. Making the prognoses involves many people. The mobile business has products ranging from standard solutions to complex customized products. Complex products could be related to switchboard services, hospital expansions and infrastructural matters. Making the prognoses becomes increasingly tough when there are special challenges in the market.

The process of making the prognoses for the revenues consists of a four steps. *Step one* is to understand the market through analysis looking at the recent developments since the last prognoses were made. If there has not been much development within in the market less changes needs to be done. *Step two* is to get an overview of the of the macro picture. By doing so an agreement upon beliefs has to be completed first. This is related to elements like employment rate and risk of bankruptcy.

> *"We have an emphasis on these elements in Business because the typical customers are business clients. It's important to understand the situation the Norwegian businesses face".* - Naustdal

Scenario building and necessary supplementary analyses are done based on this. The last scenario building was during the winter and focusing on the different outcomes of the financial crisis. It was mainly discussing how hard it would hit and for how long. Scenario building is made as a point of departure for discussion. First they have to agree upon the most likely outcomes which they can use as a basis for the prognoses.

The *third step* is to make a volume estimate in close collaboration with Business. Estimates are made for the coming period concerning elements like for example the number or subscribers and amount of data communication services sold.
The forth and *last step* is calculating the effects of the planned measures:

> *"We calculate the effects of new customers, lost customers, changes in pricing, campaigns, and so on"* - Naustdal

Efforts are made to make the prognoses as unbiased as possible. This enables them to unveil divergences towards the goals in the business plan. Naustdal emphasizes that the reason for the throughout process of making prognoses are due to a desire of enabling themselves to take measures if needed. Example of measures can be adjustment of provisions and sales commissions. Telenor's business model for the mobile operation in Norway is largely based on its distribution system. They have ownership in many of the distribution chains like Telehuset, Telering, and Nordialog. They are the ones who sell the subscriptions. The sales commission based on type of subscription and additional service (like mobile broadband).

The sales commission is a large base of the costs.

The data used in the prognoses are derived from different databases and accounts. As Naustdal puts it: "*The telecoms industry has probably the best data access in the world"*. The macro analyses are made based on statistical sources and by help from either subsidiary companies or "umbrella organizations" (for example with help from organizations within the travel industry)

Naustdal claims that target setting is influenced by the prognoses to a certain extent. The targets have to be relative likely to be achieved. Since there is an ambition in the targets it is always likely to be a gap against the prognoses. The ambitions may derive from expectations in the capital markets regarding turnover or margins. Telenor Group might then instruct Telenor in regards to this.

The business plan is updated annually and here are the economical and financial numbers adjusted. They are adjusted to according to beliefs about the future.

> *"The prognoses are there to unveil gaps. Temperance is important. We have to avoid making numbers we think a general manager want to see"* - Naustdal

7.1.2 Advantages and disadvantages relating to prognoses

One of the advantages of the prognoses is its diagnostic abilities. Naustdal explains that the budget:

> "[…] *produces excuses rather than explanations. In a reporting situation you are forced to excuse why there's a deviation of 10 or 50 millions instead of discussing why it's there and how to deal with the deviation".*

Another advantage is the focus upon the future:

> "*We see to that the financial reporting is focused on measures enabling us to take actions. The annual strategy process is responsible of target setting and the role of the prognoses is to unveil the gaps and needs for measures that appear. We try to stay at an aggregated level and don't dig our self into all the details"* - Naustdal

The reason that the prognoses are done on an aggregated level is to avoid huge amounts of work. It could, according to Naustdal, be compared to a budget process four times a year. Today the process of making the prognoses takes about 10-14 days. Naustdal also mention that he believe the time is spent better now:

> "*The focus is on deviation from expectations. Instead of talking about what that's going well, we spend time pursuing the problems. This saves us a lot of time*"

The budgeting process has, according to Naustdal, classic problems related to politics and ambition level. This has not been a problem after the introduction of Going Dynamic. He believes that most people understand the purpose of the prognoses due to the many rounds they have had on the dynamic governing model. The targets have nothing to do with prognoses that are done in the strategic process. "*We are occupied with being unbiased*", Naustdal says. He says that the understanding of the concept of Going Dynamic, and the responsibility they have for making the prognoses as accurate as possible, is important since it help with avoiding the political challenged the budget had:

> "*Picture for example a calculation showing a certain turnover. Someone that wants to show ambitions may add a number on top of it. The problems arise when this number becomes impossible to reach and causes a painful process trying to explain the deviation afterwards".*

The same point is made regarding revenue estimates. It was easier to "adjust" the revenue estimates in order to avoid workforce reduction. The ways prognoses are made and used today prevents such occurrences.

Naustdal states that one of the main problems with resource allocation in the budget is related to its static nature. "*Satisfaction is reached if you can keep within the limits. You might even get rewarded for this independent of whether it's smart or not. This is the nature of the budget; it's fixed".* One of the disadvantages is related to the aggregated level of the prognoses. Some of the product managers dealing with narrow products may experience that their product becomes invisible. The narrow products often have a smaller turnover than others and they receive limited attention. Still the narrow products often are vital for customers that also receive other services from Telenor. Another disadvantage is that the output volume is huge. The controllers' ability to grasp and communicate the information is put to the test. Thus this do, according to Naustdal, provoke a realization process among the controllers of why this work is undertaken.

Even though Naustdal believe that the time is spent better now, the process of making and updating the prognoses are time consuming. "*The resources are scarce and there's a limited* *amount of people producing huge amount of numbers. Sometimes this goes on the expense of business management, like product development and campaigns"* - Naustdal

7.2 Market Outlet Business - Cost focus

Trude Beate Sveen is a Business Manager and works in the Finance division in close collaboration with the Business market outlet. Her unit has 6 employees and their work is specifically related to expenses. They are responsible for delivering prognoses for the Business division to Telenor. The main area of responsibility for Sveen is related to reports and processes, like the introduction of Going Dynamic within Business.

7.2.1 Resource allocation prior to Going Dynamic

The mechanisms for resource allocation would typically start by Telenor handing out demands regarding revenues and expenses. "*We had to act in accordance to this demand*", Sveen explains. The next step was to divide the expenses among the six units within Business:

> *"It was mainly based on the budget from the previous year. Even earlier than that, when we had good frames to relate to, we started out with the old budget then suggested an increase in the prices which resulted in a new budget"* - Sveen

The demands Business received would then gradually tighten up and

> "[...] *we then had to develop measures to reduce the expenses among the units in order to meet the demands from the central unit. This was a standard budgeting process"* - Sveen.

Labor is a main cause of expenses for Business. The controllers reported the expenses of each unit based on the numbers from the previous year and based on the number of standard working hours a year. The line managers would report their expenses needs and then the controllers had a look at whether target could be met as a basis of this. This means that it was always a high pressure on costs and the controllers working with expenses towards Business had to stitch together the totality in order to hit the budget.

7.2.2 Advantages and disadvantages related to the budgeting process

The advantage with the budgeting process was, according to Sveen, that nothing was forgotten. "*No unforeseen expenses would appear since the budgeting process was very* *comprehensive*". Another advantage was the level of control that existed upon revenues and expenses. Sveen claims that it was […] *easy to govern subsequently in relation to deviation from the budget. The cost control is mainly about whether you are within the budget. This makes it easy".*

One of the main disadvantages was, according to Sveen, that it was lacking cost efficiency.

> "*The ones who were best at keeping within the budget were usually the ones who were least cost effective. This is because they had the most beneficial budget. If you managed to spend the money in the budget from the previous year then you would get the same amount next year. There were really little control whether they money was spent well or if it was spent randomly. Everyone had a "pot" of money to relate to. We don't believe this way of doing it is cost effective*" - Sveen

Another disadvantage was the budgeting process was time consuming. The level of details included was the main reason for this. As Sveen states:

> "[…] *we had budget all the way down to units, branches and sub-units. This means that we had about 30-40 different budgets. This was comprehensive and the resource allocation couldn't be done correct this way*".

7.2.3 Mechanisms for resource allocation in Going Dynamic

Sveen explains how the Business has developed mechanisms for resource allocation. One such mechanism is the establishment of the Market Council. The Market Council deals with elements of sales costs. Sales costs are a large portion of the expenses since they are a sales and market organization. The Market Council holds the sales costs which are directed towards sales activities like kick-off seminars, breakfasts with distributors, and customer care and similar activities.

> "*There are representatives from the three different sales units and the market units in the Market Council. They are trying to reach an agreement regarding different arrangements (sales arrangements) that are to be held during the year. After they have prioritized and chosen between the arrangements the resources are allocated" – Sveen*

The Market Council consists of the leader from each of the three sales units, which are region, small customer and big customer. The leader of a forth unit called Market is also present. The unit called Market deals specifically with promotion, pricing, and similar activities. The four leaders, accompanied by the director of the financial department, constitute the Market Council. The Council negotiates how the resources are to be most beneficially allocated based on the fixed target for expenses received from Telenor. Examples of decisions are related to arrangements, seminars and similar. The Market Council is recently established and the intentions are to meet quarterly. This is due to the fact that the preparation for arrangements and seminars takes time.

Prior to Going Dynamic the market unit and the three sales units receive a "pot" they could spend freely. Sveen explains how the new way of allocation resources have a huge advantage upon the prior allocation method:

> *"Now we are allocating across units based on agreements on activities. Considerations are made to whether it's the correct thing to do for the division as a whole regardless of which one it is. We ask our self where it's most important to invest the resources related to sales."*

The Market Council only deals with provisions. Provisions for sales representatives is, as prior mentioned, a huge part of the expenses. Sveen states that:

> "*We control this based on decisions made in the leader meeting. What are we to sell now? Let's say its mobile broadband. Then decisions are made to distribute marketing resources and provision directed to mobile broadband."*

This is a method developed for Going Dynamic as opposed to the old budgeting process where each product annually was allocated a certain amount. The second mechanism is related to marketing resources, which are the resources used for promotional purposes. The allocation of marketing resources is left to a separate unit. "*Decision regarding planned sales of a certain amount are made at the top and communicated to this group which then change the usage of marketing resources*", Sveen explains. Decisions might be based on different things, like where the competitors are extorting pressure. This is an example of how marketing resources are reallocated according to the market. The third mechanism for resource allocation is related to labor. There is currently possible to send requests to the divisional manager if there is a need for consultants. It is a central mechanism but it is far better than earlier when absolutely limits on number of employees were distributed through the budget.

7.2.4 Challenges related to resource allocation

It still exist limits that control the resource allocation. Sveen explains that they have what she calls a "light" version of Going Dynamic. It's still under development and certain elements are not fully implemented yet. Some of the most obvious limits are put on the standard working hours a year. Even though there is no budget there are still limits to elements regarding employment. Sveen admits that it does not promote dynamics. She does point out that if Telenor were to eliminate the limits it could compromise the control of the number of employees in the division. The allocation of labor is a challenge:" *We still don't feel that we at all times manage to allocate the labor correctly between the units* […]". According to Sveen it is hard to know whether it has been done correctly. The bright side is that there are quarterly reviews that enable reallocations. Sveen explains that "*This was not possible when we had an annual budget. This quarterly change is more dynamic than we were earlier*". Limits do also apply to KPI's and targets. One of the bigger cost elements is temporary employees, which also are victim to limits. The limits on certain elements create what Sveen call "small budgets" even though no budget exits on an organizational level. "*It would be nice if we could detach our self from this"*. However, she believes that *"This would require a different mindset* ".

The limits exist because of the fear of losing control. Sveen believes that the limits result in a more static state. Decision making has had a surprising effect as a result of abandoning the budget. Sveen explains that:

> "*One thing we do experience is that people become decision reluctant down through the organization. Initially we believed that the expenses would come out of control when the budget was removed. On the contrary it shows that people doesn't dare to take decisions. They are unsure whether they have the "budget" for it and whether they have the authority to make such a decision. The decision escalates and ends up at the desk of the director of each unit which has to make these decisions*".

The result is that the decision end up with the economists that has to make the decision whether it is the correct thing to do, basing the decision on the total cost situation. Sveen adds that "*One of the objectives of GD was to enable decision making further down in the hierarchic. Today the opposite is happening*". She believes that this is partly happening because of confusion and some lack of understanding. The clarity of the budget made the area of responsibility and decision making more obvious. People are reluctant to make decision because it is hard to know how much you can spend. Another challenge is related to the fixed target for expenses. Potentially profitable products may be rejected simply because there are not enough resources available.

Sveen believes that the relationship between revenues and expenses could be better understood. She says that "*Today they are treated completely separate. One requirement is made for the level of revenues and one requirement for the level of expenses*". For example if the required level of revenues is raised this needs to be complemented with an understanding of how the expenses will behave. The relationship between revenues and expenses has potential to be better understood. Sveen express that: "*If this relationship were more evident and understood I believe that the allocation could be done better*". However, she believes that there is an area for communication in regards for this at a higher level in the hierarchy. No formal arena exists for the sharing of experiences between the divisions. Sveen has, however, taken initiative for sharing of experiences with people located in other divisions. She admits that an arena for communication would be desirable. An arena for communication and sharing of experience could potentially reduce confusion and frustration that appear because of the lack of guidelines. She believes that Going Dynamic could have been introduced differently in order to reduce the confusion. Even though the Market Council provides with an excellent alternative for resource allocation compared to earlier, there are weaknesses related to it. Sveen points out that:

> "*The allocation will obviously be influenced by the negotiation process. It requires a high level of understanding by the people who are to make the decisions. Some people have a better negotiation skill than others. This is a weakness. Earlier this was simpler due to the basic mathematics that lay behind the allocation*."

Sveen states that they can become better at planning activities. Also the resources could be transferrable more frequently. A department for resource management exists and this department makes prognoses for the result of different planned activities. However, as Sveen says, the challenge lies with the process of transferring resources:

> "*The problem with the resource allocation is rather hieratic because it's no simple process of transferring the resources according to the fluctuation. This is mainly due*

> *to processes related to approving the transfers. Hiring more employees is such a process. The result of this is that customer care always is lagging. Measures are not taken until the customers are expressing dissatisfaction. We do have indicators which enable us to monitor this. For example the time it takes to answer the phone and similar. We feel that we always are lagging behind in regards to receiving resources that enable us to meet fluctuations like these*" - Sveen

The evident outcome of an improvement would be a decrease in customer dissatisfaction.

7.2.5 Prognoses and reporting

Prognoses are formally reported to Telenor quarterly. Elements in the prognoses are, however, followed up monthly towards the division. Expenses and the number of standard working hours a year is followed up for each unit every month and this way is continuously monitored. A closer reporting would be chaotic, as Sveen explains*:*

> *"If we are to be one hundred percent dynamic then we would have to run prognoses each month. I doubt that this would be feasible because we need limits and guidelines regarding elements like the number of employees in each unit. It's not possible to change this each month* […]".

Naustdal explains that the prognoses are made at an aggregated level. According to Naustdal this has a positive effect:

> *"The differences between today and the budgeting time regarding the operating costs are that we work on a more aggregated level. We don't create prognoses on every department but rather the level above which typically has 30 – 50 employees".*

The monthly update is according to Naustdal absolutely necessary in order to make the wheels turn. In order to follow up and maintain control of the people who implement measures the monthly review of the prognoses are important.

A mechanism for monitoring and follow up has been established. Even though no guidelines or requirements are requested, a benchmark has been established on the expenses.

> *"We have split some costs where no limits or guidelines exist by performing benchmarks. Analyses and reports are done monthly where the performance of each unit within the division is shown. This includes expenses regarding travelling, meeting, assembling, courses, and other labor activities. Even though no guidelines*

exist on this we perform the benchmarks and show the consumptions. This enables us to follow up trends. The fact that it's showed and reported for everyone to see has resulted in falling expenses. This is something we think is in line with the Going Dynamic spirit." - Sveen

7.2.6 The relationship between targets, prognoses, and resource allocation

According to Sveen the prognoses they delivered required to be the same as the targets. "This *means that we have to deliver prognoses that are identical to the demands we receive*", Sveen explains. If the prognoses are not in line with the target measures must be developed and taken in order to reach the target. Sveen explains that they create limits on the biggest cost elements. Sveen states that Business frequently hit the target and believes that it is due to the way they are governing this process. The targets are made by Telenor top management and contain requirements regarding certain amount of expenses for the next quarter. If the prognoses deviate from the targets measures has to be taken. Examples of this are adjustment of provisions, termination of products or adjustments of marketing costs.

7.3 Market outlet Consumer

The market outlet called Consumer is selling Telenor's products to the private market and is what is called business to consumer (B2C). Consumer covers revenues and costs of products that are sold to private customers and resources spent in relation to the private market. Consumer is separated into fixed and mobile but they do not have anything to do with operations of networks, product development and similar activities. The empirical data regarding Consumer is collected through interview with a controller in that division. In conformity with the other market outlet, Business, the data is specifically directed towards the relationship between the prognoses, targets, and resource allocation.

The source of data within Consumer was gathered in an interview with Jarle Flaglien. Flaglien is working in the Finance department but supports the Consumer division with three other controllers in his unit. His unit is working integrated towards the market outlet in Consumer and his area of responsibility concerns the disclosure of revenue within the fixed network and broadband, as well as governing the processes around forecasting, internal control and closing of accounts related to the fixed network and broadband. Consumer and

Business are different not only in the market they serve in general. Consumer has what Flaglien call a *"mainstream business"* because the private market is more homogeneous than the corporate market. Business on the other hand has a higher complexity in the solutions offered to the customers due to its customized nature. Consumer has a higher degree of standardized solutions.

7.3.1 Prior to Going Dynamic

The work that was conducted in Consumer before the implementation of Going Dynamic has according to Flaglien some resemblance to how it is today but a lot has changed, e.g. concerning agreements and forecasting of revenues in the budget related to fixed net. This was in Consumer done annually and more detailed than the quarterly walkthrough that is taking place today. Forecasting is now done continuously. Flaglien points out that Going Dynamic-philosophy makes Consumer agree upon things at an earlier stage then what they used to do. The old budgeting process started in the fall and lasted until the end of September and Flaglien emphasize that "[…] the *budget was outdated already before the next year. The markets are changing rapidly and in addition the budgeting process was rather resource demanding"*.

7.3.2 Prognoses

As with Business the prognoses are made every month and reported every quarter. Consumer is using models in their work. Flaglien explains that there is one model for fixed net and one for broadband. These models are empirical models which are applied based upon trends. Consumer adjusts for what they know or what they believe will happen and the models are calibrated slightly every month due to the differences between theory and practice regarding both volumes and other circumstances. Flaglien explains that an approval process is run within Consumer where there is a presentation of the numbers on revenues and operating costs related to the quarterly reports. Here they try to agree upon the assumptions of the future. If there should be a deviation from the ambition target then they need to see whether they can take any action to correct it.

7.3.3 Revenues and expenses

During spring the business plan and the strategy is made and updated. This usually has a three year perspective so the current one is stretching until 2012. Flaglien explains that during this work an ambition are made for the revenues and this is their target for the revenues. This target is usually hard to fulfill from a fixed network point of view.

In comparison with the work relating to revenues, the people dealing with expenses are focused upon activities and their work usually has a shorter time horizon. Telenor presents a level of ambitions regarding the expenses, i.e. how much cost efficiency that is to be expected. Consumer is constantly seeking to reduce the expenses, and keeping and improving the cost margin over time. Flaglien explains that the prognoses for the operational costs are activity based. Consumer knows approximately the limits as well as which activities that have been tied up towards the market plan and the campaign periods taking place during the year and have classified these. Half of Consumer's expenses are not related to the market plan but rather tied to customer care due to a larger volume there. Flaglien explains this with *"it puts a lid on the level of expenses"*. Consumer has divided their expenses into four elements; customer care, salaries excluding customer care, and marketing resources which is divided into two; one for fixed and one for variable. Customer care is responsible for about 50 percent of the expenses. The fixed marketing resources are there because some are contracts running over several years which cannot be affected in a short period of time. The variable marketing resources concerns mostly ongoing campaigns during the year.

The differences between expenses and revenues within Consumer according to Flaglien are:

> *"[...] the expenses are assessed quarterly while the revenues are updated monthly after model. The revenues are guided more by the model than the expenses are. This is because the expenses are more ruled by relations."*

The data used in the prognosis process is first of all gathered from the Telenor accounting system. In the cases regarding revenues Consumer collect information about volume and the market from the invoicing system. In addition to this analysis and gathering of competitor information is also being performed. The capacity for the analyses is divided between Consumer and Telenor centrally. Consumer looks at our own volumes which can be stated with a high degree of certainty as well as the volume of the competitors which is also included in the prognoses.

7.3.4 The mechanisms for resource allocation.

The expenses in the different market outlets in Telenor are governed by a fixed target. This is issued centrally. Similarly like Sveen in Business, Flaglien admits that profitable projects potentially become rejected due to lack of resources. With stricter prioritizing of resources the chance of fewer projects being realized is increasing. Flaglien explains that they find it challenging to find the balance between those who are creative that work with ideas, and those that implement the ideas. He points out that it obviously would be an advantage to have a surplus of creativity, but this can also result in frustration for those that provide ideas and which might not get to see them realized. The limitations lay primarily with those that implement the ideas. They can find that they are under staffed in comparison to those that present desires and ideas. Flaglien emphasizes that this is a challenge that Telenor and Consumer have noticed but at same time they understand that it is something that needs to be there.

In today's market the revenues are declining and it is important for all departments in Telenor to keep the margins for expenses. The cash-flow requirement from Telenor is stable and Flaglien explains that if Consumer does not manage to keep the expectations for revenues then they need to take action relation to expenses. The prior mentioned classification of expenses is used in order to monitor that the not more is spent on some elements at the sacrifice of other. Flaglien emphasizes that this classification is desirable because the expenses regarding salaries and fixed marketing resources has a longer time horizon for changes. Flaglien explains that if Consumer has to create room for a certain action regarding variable marketing resources the fixed costs has to become more efficient. This has to be done at an early point if Consumer is to influence them. The same goes for customer care due to the fact that 90-95 percent of the expenses are related to staffing. They have a longer time horizon for change than the variable marketing costs. This overview is helpful for the prioritization. If things happen suddenly within the variable marketing costs it is possible to take action. In a short-term perspective this is desirable, but Flaglien admits that this might still not always be desirable in a long-term perspective.

Variable marketing costs are part of the marketing plan which is tied to activities. Activities included in the volume requirements are related to the expectations regarding revenue level. Flaglien explains that if Consumer is forced to cut costs it may have a direct impact on the level of revenues. The market situation might be demanding moderation or increase of marketing spending. This is a continuous consideration within Consumer. Flaglien states that the classification of expenses has been helpful to focus on the fixed expenses. Today Consumer find it easier to understand that these costs might be necessary to alter and by altering them creating room for action and increasing the flexibility.

When staffing is concerned Consumer maps the consequences a staff increase or reduction has for the activity level. Spending less marketing resources would in most cases mean needing less staffing. A process concerning reallocation of resources is also something Consumer do. If no room for reallocation is found during this process there would be a possibility of reduction or cuts in the workforce.

When considering supplementing the prognoses with financial quantities, for example KPIs and non-financial targets, Flaglien feels that it is something that Consumer need to work on. Knowing who has responsibility for what can at times be hard due to Telenor being a matrix organization. Flaglien expresses that the communication need to improve to be able to solve this issue, but at the same time it is early in the implementation process he thinks that this issue will be resolved.

Flaglien emphasizes that today's resource allocation process demands that a lot of people communicate. "*When the budget was used you had to agree once a year while as it is now you have to agree all the time and it can be tedious".* In addition it is challenging in relation to the professions on the line - those that work with sales, marketing and customer support, with good intentions and ideas that sometimes will not get realized because someone or something else is prioritized. Flaglien emphasizes that this could create tension and frustration between people and units. This, according to Flaglien, could be explained as something left from the old budgeting mindset where you got a bag of money and you always knew what you had available, something that you don't have now.

> "*Most people want a certain assurance and predictability. At this time, Going Dynamic does not provide the same level of assurance and predictability as the budget did."*- Flaglien

7.3.5 Resource allocation prior to Going Dynamic

Before the Going Dynamic-implementation there was concrete limits regarding resources.

> *"Distributions were done according to the budget. Everyone expressed their needs and everyone received less than they thought they needed. We did not have the continuously assessments regarding the (re)allocations we do today. Back then it was another full year until the next budget."* – Flaglien

Flaglien explains that when the budget was used people seemed to be more occupied with spending what was in their budget as opposed to looking outside to get the grand picture. No one seemed to ask themselves the question; are there anyone who could benefit to a greater extent from these resources then I could?

> "*[...] we have to a larger extent accomplished this today but we are not completely there yet - but it has improved greatly."* – Flaglien

The transition to the Going Dynamic-philosophy is a long journey and Flaglien emphasizes that changing the culture of an organization takes time.

7.3.6 Effects of Going Dynamic

Going Dynamic, now that Telenor is going towards continuously prognoses, has resulted in Finance becoming closer to the business in general:

> "*[...] before Going Dynamic it was more like Finance kept to its own operation and the rest of the organization kept to theirs. You met more or less once a year in relation to the budget. Now it is more of a continued dialog and follow-up than before." - Flaglien*

Going Dynamic, with its added communication and follow-ups, has according to Flaglien had a positive effect on how Controllers work.

> "*Controllers are now more business-controllers than they were before. It has been many changes but this is some of what I feel is most important; that we are becoming a type of business performers' more than general workers of accounting."*

The Communication channels currently in affect in Telenor are according to Flaglien in need of improvement and this is something that they are aware of.

> *"Going Dynamic is a journey where we have to create new communication channels,*

deciding who got responsibility for what, how to report, how to present ideas, etc. A lot of this is "in process" and you always want things to happen faster. Going Dynamic is a big project and we are changing the culture of the organization – we have to accept that it takes time" - Flaglien

Part V – Analysis and Conclusion

8.0 Analysis

In this part we will conduct the analysis of the empirical data. We will be using the framework of social and institutional practice by Miller (1994) with the three elements rationales, technology, and process to provide the basis of which we will base many of our conclusions. We look at why Telenor decided to implement Going Dynamic, how it has been done and whether there are any challenges with the implementation. The remaining literature in frame of reference supplies us with the tools we need in order to analyze the three research questions.

8.1 Research question 1:

Why did Telenor decide to go Beyond Budgeting?

As Miller (1994) explains there is a focus on the complex language and meanings intrinsic to accounting and he uses the term *rationales* to designate this aspect as a social and institutional practice. We have chosen to use the same understanding in a management control perspective to try to identify and explain **why** Telenor would want to introduce Going Dynamic – something new and unique that is based and inspired by the Beyond Budgeting philosophy. To do this we have to look beyond the numerical computations of costs, profits, losses, and returns to consider the grand picture. Following Miller (1994) we need to have an understanding of accounting as a social and institutional practice to attend to these rationales, as well as the calculative practices, because it is these rationales, rather than someone specific to the activities and processes that will articulate ways of knowing and managing organizations. Economic and social events are not separated happenings, and as Miller (1994) emphasize: *"rationales of costliness and efficiency, of decision making, of responsibility, of competitiveness, and much more come to constitute truths in the name of which organizations are to be remade, processes reconfigured, and attempts made to be redefine the identity of individuals".* In light of this we feel that the social and institutional understanding of why Telenor would implement Going Dynamic would be best formed by an explanation of how

Going Dynamic in Telenor is currently working and how the old budgeting method was used in relation to the literature. These rationales are according to Miller (1994) what drives change as well as what mobilizes the calculative technology that will be discussed further in our chapter on the elements targets, prognoses, and resource allocation.

8.1.1 Changes requires attention

Thoen mentioned that prior to Going Dynamic Telenor, after analyzing the then existing way of governing, found the way of governing inadequate for the company's needs. Some of the key criticism against the budget was related to its inability to deal with rapid changes in the environment. In a historical perspective it seems that organizations environment is victim to increasingly rapid changes, as mentioned by Johannessen et al. (1999). Falkman (2000, cited in Dæhlin and Kirkeby, 2002) said that environments with a lot of turbulence could limit the useful lifespan of information. Thoen mentioned that the previous management method had difficulties when it came to producing real and up-to-date information. Information can be, according to Christensen et al. (1999), data that gives meaning, knowledge that can be deduced from data or knowledge that is communicated. It seems that the information provided by the previous management control system through the budget was struggling to offer management the information they needed in order to make decisions in the rapidly changing environments. An example of the shortcomings was mentioned earlier by Thoen. Changes in the environment made it difficult to adapt using budget as the primary tool. Considering this we can insinuate that Telenor by implementing Going Dynamic wanted to create something that could handle change better than before. Miller (1994) emphasized the importance of including a view of the situation's big picture, not the economic numbers alone. The above statement is an indication that Telenor wish to better interpret and understand changes which provides a better abstract picture of the reality – something different than what was done using the budget. With the change in environment we would believe comes change in rationales, the social and institutional practice, as well. This is in line with what Miller (1994) states; *that the economic domain is constituted and reconstituted by the changing calculative practices that provide knowledge to it*. With the increased updates from follow-ups and prognoses the Telenor would be able to remake the organization's understanding as well as reconfigure processes to adjust to the changes. If we choose to look at growth in markets it would perhaps require action past the issues relating bonus agreements. The growth may call for altering in resource allocation due to increased workload, both in terms of workers and capital. Similarly a sudden decline in markets would require different actions. Why is there a decline? It could be due to competitors providing better products or even poor performance by the organization. Is there need for more resources in order to develop new products and recapturing lost market shares? Perhaps it's due to a general volume decrease in the market overall requiring an adjustment of workforce. With the budget as the primary tool it seems like the ability to provide information and adjust to rapid changes would prove difficult.

The element of not being able to react fast to changes was the second primary factor in the dissatisfaction of the budget mentioned by Hope and Fraser (2003). They claim that budgeting is out of kilter with the competitive environment and no longer meet the needs of neither executives nor operating managers. We see that this is in line with what Telenor want to rectify by introducing Going Dynamic. Thoen mentioned that the strategy development and future approximations was not used to its full potential. Henderson (1996, cited in Hoff & Holving, 2003) defined strategy as: […] *a conscious search for an action plan that will develop and strengthen the company's competitiveness* […]. The dynamic and complex environments are repeatedly stated as the cause of the traditional plan oriented budget's incapability to govern. Basing the governing tool on the budget, that is based on historical data and financial key indicators, is part of the problem Wallander (1999) continuously refer to. By referring to the relationship between realized and intended strategy of Mintzberg and Quinn (1996) it seems likely for us that the budget had its limits. We learned that the annual budget process in Telenor typically started in the fall and lasted until the end of September. During the months of the budgeting process the elements of intended strategy and realized strategy was clarified. Unrealized strategy and emergent strategy resulted in the realized strategy. However, with this taking place once a year the rapid changes caused it to be quickly outdated. This is something that was also emphasized by some of the respondents.

The first factor Hope and Fraser (2003) mentioned to be essential in the criticism against the budget was that it being time consuming and expensive. Unfortunately there is little or no research on how expensive implementations of concepts relating to Beyond Budgeting are. This question of how pricey and time consuming the implementation is does not seem to be of any interest for Telenor. The respondents in Telenor stated that they did not believe they would spend less time on the elements in Going Dynamic than the budget did earlier. They did however believe that they would spend it more wisely. This is consistent with the findings of Ervik and Rønning (2008) which studied Beyond Budgeting in the Norwegian company StatoilHydro. Hope and Fraser (2003:19) does however claim that the organizations they have studied found the elimination of the annual cycle of preparing, submitting, negotiating, and agreeing upon the budget: *"The result has been to save months of work"*. This study, like the one of Ervik and Rønning (2008), are done at one point in time and at an early stage of the implementation. Therefore it seems that the basis we have for stating that it will not save time is weaker than the contradicting statement of Hope and Fraser (2008). However it does reveal that the aim of Going Dynamic is not to save time or money. The focus of Thoen and the top management is directed towards improving the existing way of governing, first of all by improving elements that the budget was unable to perform well. The ability to respond to changes was mentioned as one of the main challenges. From an operational perspective Naustdal states he believe that the time is spent better now.

Through the data presented in the empirical chapter it is made clear that Telenor up to 2006 had been using budgets as their foremost tool for management control. This view on the use of the budget is supported by both Antony and Govindarajan (2007) and Wildavsky (1989) that states that the budget serves diverse purposes and that controlling organization is one of these. The amount of theory revolving budgets and the budgeting process are as mentioned immense, but in the selected literature in this thesis there are some general consensuses that all points back to the budget's ability to act as an action plan reflecting on revenues and expenses, in relation to the company's goals over a certain amount of time (Bergstrand et al., 1999; Wallander, 1999; Shastri and Stout, 2008). This was no different in Telenor. The budget had three purposes: setting clear goals and heading, being a tool in resource allocation, and an element in cost management. Telenor and Thoen stated that the budget was to a certain degree a good tool for control but it did not always contribute in providing the optimal management information. Christensen et al. (1999) states that a well functioning internal information system, which in this context refers to the budget, is important to stimulate motivational needs, knowledge needs, and the need for guidance among the users.

Target, Prognosis, and Resource allocation are three elements in management control that we have presented in the Figure 1. We feel that it is important to understand how some of these were handled prior to going dynamic, resource allocation in particular. These elements, in the budgeting process, had great effect on each other. As stated earlier by Thoen, the budget was a *negotiation approach*. This resulted in concrete limits regarding resources before the Going Dynamic-implementation, something that is in accordance with the theory and statements made by Bogsnes (2009) where he claims that there is a problem when these three elements are combined through processes to show one number, which the traditional budgeting process usually does. This process will influence the quality of all of them. It was explained in the previous part that the distribution of resources was done in accordance to the budget and the negotiations that followed. After the negotiations the resources were allocated and there was a year until the next time.

8.1.2 Painting a better picture of reality

The use of fixed budgets, as it was in Telenor, has according to the theory some advantages. One of the advantages is, according to Bergstrand et al. (1999), that the budget is easy to understand. The budget makes the distribution of responsibility clear and the budget can easily be used in follow-up processes. Thoen explained that:"*the old method was very predictable and it gave a feeling of assurance and safety for many when it came to use of monetary resources.* What was it that made it so predictable? Prior to Going dynamic there would be a set amount of money given to be guarded, and allowed to be spent during the year. The elements of predictability and assurance seem to be less evident in Going Dynamic. The budget made responsibilities and focus on goals clear. Telenor found that the fixed budget made it easy to communicate these aspects to everyone involved, something that also is supported by theory. This was not only supported by several of the respondents that were interviewed. The level of control that existed concerning revenues and expenses was something Sveen commented and she claimed that with the budget it was "[…] *easy to govern subsequently in relation to deviations. The cost control is mainly about whether you are within the budget. This makes it easy".* What we are looking for here are *communication* and *decision making*. Even though Telenor have chosen to move past the budget we see that the communication was good and decision-making easy. These we can say became truths in a social and institutional view if we follow Miller (1994) and would of course not count in the favor of a remake or reconfiguration of the budget. The question might be that even though it provided good communication, did it provide the correct communication? Yes it gave employees the ability to understand what was expected of them, but did it provide anything beyond that? We feel that the use of correct communication that gives incentives to go beyond what is expected could greatly affect the efficiency of how processes are handled and carried out.

The budget in Telenor had three purposes: setting clear goals and heading, being a tool in resource allocation, and an element in cost management. In accordance to the statement by Bergstrand et al. (1999) fixed budgets also have downsides. It was stated that one of the main disadvantages with the budget was that it was lacking cost efficiency, as well as the budgeting process being time consuming and not cost effective. Miller (1994) stated as mentioned above that economic and social events are not separated happenings. Cost efficiency would hamper the company's competitiveness and following this we could say that there would be no incentive to keep the budget judging by cost efficiency alone. The issues of budgeting being time consuming are something that has been mentioned by several during our inquiries. The budget was unable to deal with cost efficiency and was inappropriately allocation resources.The budget hampers the organization in being cost effective and competitive by providing absolute numbers for resources to be used during a year, and at the same time give the impression that spending all the resources in the budget is the way to go. The budgeting culture as we have mentioned on several occasions is to "stick to the budget" and we find, as respondents also clearly state, that by having this mindset hampers the organization more than it helps it in form of resource control. The level of details included in Telenor's budget was according to Sveen one of the reasons for the process being as time consuming as it was. Thoen as well commented on this explaining that the budget was kind of a *negotiation approach* where much time was spent, time that might be better spent elsewhere or more efficiently, deciding the budget every year as well as monthly negotiations concerning the budget and explaining deviations. The budget was unable to produce real and up-to-date information due to rapid changes. This is also in line with the arguments presented by Wallander (1999), Hope and Fraser (2003), as well as Bogsnes (2009) concerning criticism of the budget. Again we come back to competitiveness which Miller (1994) implied had influence on what would change organizations views of truths in relating to change. Not having the information needed to take the correct action could result in losing ground on the competitors in markets that are rapidly changing. It seems that the budget, in Telenor's case, did not provide the necessary information for governance that would improve Telenor's ability to adapt and react faster and by so doing hampers their competitiveness. Based on our empirical data we can suggest that this is a general impression of the budget in Telenor and can be seen as a truth in the ongoing change if we are to employ the terms of Miller (1994). During our study of the budget and its purposes it became clear to us that it more or less covered every aspect of Miller (1994) rationales acting as a tool for cost management, efficiency, decision-making, responsibility distribution. All in all, the budget was there to cover a lot. Thoen stated that, at least for Telenor, the budget seemed to grasp for more than it could handle and we can understand her point of view. When using the budget as the tool of governing it was the general impression and truths that the budget was the best tool for the job. Now with changes in ways of operating and managing organizations, as well as competing in the markets, these truths could be considered to be changing due to the organization's new needs. This would result in the appeal for change as it has in Telenor and the truths would be remade into truths reflecting the Going Dynamic philosophy.

The budget clearly has had its uses for governing throughout the years. The budget was made once a year and was easy to understand, predictable, and gave clear indications of responsibilities which in turn provided the organization with assurance and safety. In prior years we can say nothing other than that the budget did what it was set out to do, but the question is; is it good enough in today's environments? The empirical data suggest that the answer is no. Telenor's decision to start Going Dynamic was clearly not one of economical decision of numerical computations, but a desire to improve their way of operating and governing. In accordance with the empirical data it seems that the annual budget, and the variety of tasks it was responsible for, was grasping for more than it could handle. It seems that the budget hampers the organization's ability to take actions in accordance to the rapid changes in the environments. It has become evident after being mentioned several times during the thesis that Telenor's main **why** to change is because of the budget's inadequacy and inability to see changes in the environments in advance. This can be seen in relations to information having, as Falkman (2000 cited in Dæhlin and Kirkeby, 2002) put it, a limited useful lifespan when dealing with environments with a lot of turbulence. In accordance to the theories by Miller (1994), the truths from of old budgeting process has over time been found inadequate and therefore new truths have been constituted as a force for change lightly. Being the primary reason as we see it does not mean that the other budget's disadvantages mentioned did not play a role in the decision to introduce the new model of management control. As a side note; the old tradition and culture we feel could be seen as a threat to the implementation of this new model since the old truths have been present for a long time and not everyone welcome change. There is a saying that "humans are creatures of habit", and that old habit die hard. The discussion of de-/institutionalization will be covered later in the analysis.

8.1.3 Summary

The first research question has tried to answer why Telenor wanted to go forth with the implementation of Going Dynamic. Through a comparison with the old budgeting method, the new model and the theory we found several aspects that most likely have influenced Telenor in choosing to go beyond the budget. Rapid changes in the environment reveal the budgets inability when it came to producing up to date information which would enables action. There was a need to get a better picture of reality and the budget proved unable to perform its three roles: setting clear goals and heading, being a tool in resource allocation, and an element in cost management.

8.2 Research question 2:

Has the elements of management control been changed during the implementation of Going Dynamic?

Here the analysis is looking at the elements of management control in the two market outlets. The empirical data in part IV revealed that Business and Consumer has applied different processes and mechanisms (see appendix 7) during the implementation of Going Dynamic. We will apply the *technology* aspects of Miller (1994) order to analyze whether the elements of management control has been changed during the implementation of Going Dynamics in the two market outlets. Miller (1994) claimed that accounting, when viewed as a technology, is a way of intervening. It's a device for acting upon activities, individuals and objects in a way such as that the world may be transformed. The problem of the business plan and the budget was according to Bogsnes (2009) that it should at the same time provide good targets, reliable forecasts and an effective resource allocation. Here we take a look at the three elements in the two market outlets.

8.2.1 Opening the door for action

Business and Consumer has opened the door for action by the different ways they have approached the process of making forecasts. The experimental characteristic of the implementation of Going Dynamics has enabled the different approaches which seemingly are caused by differences in contexts.

8.2.1.1 Unlocking the door in Business

It was explained that the prognoses related to expenses has to be identical to the demand, or target. If the prognoses are not in line with the target, measures must be developed and taken in order to reach the target. Measures can be adjustment of provisions, termination of products or adjustments of marketing costs. However, the fixed target for expenses, expressed in the business plan, seems to imply that the process has similarities to the budget. Bogsnes (2009) claims that target setting and prognoses do not go to well together because everyone wants to reach their target. Telenor do not use prognoses as a basis for target setting, it is rather the other way around. Because of this forecasts will not start moving because of its influence towards the target. The prognoses are rather control mechanisms to judge whether the predetermined target may be reached and if there are needs for action. The prognoses in Telenor are therefore in line with the Beyond Budgeting literature.

The monthly prognoses are continuously monitored and followed up. Business performs a benchmark on costs elements which are showing the performance of each unit in the division. The benchmark included expenses regarding traveling, meeting, assembling, courses, and other labor activities. These elements are transparent and this is done in order to follow up trends. They now are splitting costs in the benchmark based on the activities. Miller (1994) says that the calculation and recording of activities, like it is done in Telenor, is to alter the way in which it can be thought about and acted upon. The calculation and recording of activities shown in the benchmark during the monthly prognoses represents a way for Telenor to alter the way activities can be acted upon to a greater extent than earlier. The benchmarks themselves are an example of performance evaluation. Miller (1994) says that to evaluate performance is to change incentive structures and impose the requirements that action conforms to the calculations that will be made of them. It seems fair to claim that as a result of benchmarking the incentive structure will emphasize improvements to a greater extent than what the budget offered. The incentive structure of the budget regarding expenses seems to have been "stay within the limits". The benchmarks offer a performance evaluation which changes the incentive structures to what we might call "a continuous focus on improvement for the expenses". Miller (1994) further stated that the reduction of diverse activities and processes to single figures enable comparisons of individuals, departments or divisions. This makes it possible to govern individuals and activities. This is exactly what Telenor now do.

Naustdal, which works specifically with prognoses related to revenues, explained that the role of prognoses is to unveil gaps towards the economical and financial numbers in the business plan. The process of making the prognoses consists of four steps. Step one is to understand the market through analyses looking at the recent developments since the last prognoses were made. Step two is to get an overview of the larger picture. The third step is to make a volume estimate in close collaboration with Business. The fourth and last step is calculating the effects of the planned measures. The four step process of making the revenue prognoses can be viewed as what Miller (1994) refers to as a "device" to act upon activities, individuals and objects in such a way that the world may be transformed. The role of the revenue related prognoses are to reveal gaps against the target. Deviations create an incentive for action. The monthly prognoses enables Business to increase the awareness of deviations and most likely act as an incentive to action at an earlier point than the budget were able to. The structure of the four step process is enabling explanations and focus on actions towards deviations. This is seemingly a device to act upon activities differently from the budget, where deviations resulted in excuses instead of action.

The role of the prognoses is similar within Business and Consumer. Prognoses are there to unveil gaps towards the business plan and this way reveal where measures must be taken in order to hit the target. The fixed targets in the business plan seem to be similar to targets in budgeting. However the process of adjusting the prognoses on a monthly basis shows that it enable the market outlets to a greater extent to foresee changes at an earlier point than the budgeting process allowed. The monthly follow-ups seem to promote a better communication between finance and operations. The two first steps in the process of making and updating the revenue prognoses seemingly force the participants to take on a more strategic and forward looking role. The last two steps of making the volume estimates and calculating the effects of planned measures involve a close collaboration and communication between the controllers in finance and the market outlet.

In comparison with the budget the prognoses related to both revenues and expenses are now made at an aggregated level. The prognoses seem to promote a better understanding of where the main deviations from target are and how they can be dealt with. In the process there is a closer communication between finance and the market outlet than there were during the budget. There also seems to be a higher emphasis for the finance department to understand the market and macro picture.

8.2.1.2 Unlocking the door in Consumer

Consumer, like Business, makes the prognoses at an aggregated level. The prognoses related to revenues are based on empirical models. There is one model for fixed net and one for broadband. These models are empirical models which are applied based upon trends. From our point of view the models are adding visibility to events and processes. Visibility is what Miller (1994) claims to help changing them. The models improve the ability to understand the market to a greater extent. It seems likely that the visibility of events and processes in the models help change them.

An approval process for the prognoses is performed within Consumer. The prognoses for revenues and expenses for the quarterly reports are presented collectively. Efforts to reach an agreement upon the future are made. Just like Business, the role of the prognoses in Consumer is to reveal deviations from the target. There seems to be a stronger emphasis in Consumer on the process of reaching an agreement upon the beliefs for the future where both revenues and expenses are part of the picture. Since the need for action takes a broader approach, including both revenues and expenses, it is tempting to wonder if it is a more logic approach towards consistency in the action upon activities. The absence of this link between revenues and expenses seemed to cause some inconsistency in Business. It was stated by Sveen that she believed a better link between expenses and revenues could improve the resource allocation. We wonder if the prognoses would benefit from a better link as well. It seems likely that a better communication and negotiation regarding the relationship could be beneficial in the prognoses. The prognoses are meant to be unbiased and representing what that’s believed to happened. The prognoses, or forecasts, are meant to be reliable (Bogsnes, 2009). The question is whether prognoses which see the relationship between revenues and expenses are more reliable? We have no empirical data to make such an assessment but it is tempting to believe that an understanding of relationship to a greater extent improves the reliability of expenses and revenues collectively. For example, if there are no discussion and common agreement for the future regarding both revenues and expenses it seems likely that it is especially the expense prognoses that would struggle to fulfill its role revealing gaps from ambitions. If we for example imagine that the revenues are expected to rise in either 1) a high volume segment or 2) a low volume segment, it would most likely have different consequences for the expenses. We could perhaps expect a higher rise in expenses related to the high volume segment. It seems likely that the relational approach between revenues and expenses that consumer applies to their prognoses would be more beneficial than not doing it. Due to the nature of expenses, which solely are linked to activities, it seems that the benefits of linking revenues and expenses, in the process of making the prognoses, are greater for the latter.

8.2.2 Control and dynamics on a collision course?

As it has been stated earlier Telenor update their business plan annually. Through the business plan an expected level of revenues and an absolute level of expenses are communicated to the market outlets. Good targets are one of the roles Bogsnes (2009) referred to regarding the quality problem of the budget. He further stated that targets and prognoses should not be combined because good targets needs to have an element of stretch and ambition. Bogsnes emphasize that targets cannot be set while sitting in a dark room or look back at the previous year and add a few percent. Targets have to be seen in regards to the world outside. Customers, shareholders, communities and other external stakeholder's expectations to performance and behavior are what he mentions as important factors in the target setting process. We have no empirical data of how the target setting process is done in Telenor and may therefore not state anything regarding this. The reliable prognoses mentioned earlier are important in order to see the gaps between ambitions and targets are, and where to focus attention and energy. The way prognoses are performed indicate that they are focusing attention towards the gap between where they are today towards ambitions and targets. Since the targets and prognoses are separated it enables Telenor to get what Bogsnes (2009) and Olufsen & Castberg (2006) refer to as early warning function. This is an early warning regarding gaps between targets in the business plan and where Telenor is today.

Both Business and Consumer make prognoses that reveal whether the expectations for the revenues can be matched and whether the expenses are within the limits. We previously indicated that the revenue expectations and expense limits seems to have similarities to the budget absolute numbers. Bogsnes (2009) said that a budget target is a predefined absolute number, a cost number, an income number. Bogsnes wondered if it is always good performance to hit the budget number. Another statement was related to situations where great value-creating opportunities were turned down because of the priority to avoid budget overruns. Despite that Telenor has separated target setting and prognoses which enables them to see the gaps between targets and where they are today. It is indicated in the empiric data that the fixed targets, especially related to the expenses, create the possibility that value-creating opportunities are turned down. We have already seen how Business performs benchmarks in order to monitor important cost elements. Consumer is using activity based calculation for their operational costs and focus on improving the cost margin over time. Simply put we might say that both methods are focusing on continuous improvement in a fashion the budget was unable to. However, the problems that surface are related to the fixed target in the business plan. The question is whether the fixed target for expenses is an obstacle or an advantage? The empirical data indicated that control and dynamics are on a collision course. In order to be dynamic there must really be no limits but if there are no limits there is a fear of losing control. Bogsnes (2009) stated that controls should be based indicators and trends, not on variances against plan. This control is already in place by performing benchmarks and activity based costing. In order to be dynamic in the resource allocation Bogsnes (2009) refer to StatoilHydro's approach to dynamic resource allocation. The question is not whether you have the budget for it but whether it is the right thing to do. Now, Telenor and StatoilHydro are two very different organization but they show that there is a wish to become more dynamic. The fixed target seems to be an obstacle for Telenor in order to achieve dynamic. We take a closer look at this in the analysis of resource allocation.

The literature does not present any normative approaches to the goal- and target setting process. One of the organizations Hope and Fraser (2003:71) refer to claimed that "*it is crucial that the stretch goal is not seen as a fixed target against which performance will be evaluated*". It is in other words not a fixed target, and the performance is not measured against it. In this example the team set their own goals based on their highest aspirations. Both Bogsnes (2009) and Hope and Fraser (2003) suggest benchmarking as a replacement for absolute targets. The importance of comparability is stated regardless of the benchmark being internal or external. Bogsnes (2009) exemplified how benchmarks can simplify the target setting such as “advance in the standings” or “perform above average”. As prior mentioned Business already apply benchmarks for cost elements. The current target setting function seems to oppose limitations in a fashion the budget used to. However, the incentive structure of the target setting seems to limiting the expenses to “keep within budget”, or the fixed target. If we imagine that the targets are removed and the current benchmarks remains, the question is whether the incentive structure would be changed? It seems likely that a benchmark, where revenues and expenses are assembled in a consistent matter, could change the incentive structure from “hit the number” to “continuous improvements”. This is exactly what Telenor stated was important to achieve – an incentive to go beyond the budget. It seems to be the fixed target for expenses in the business plan that makes the current system in Telenor unable to detach itself from a budget driven target setting process. We believe that this is one of the contributors to the challenges regarding the resource allocation which we will look at next.

8.2.3 Finding a dynamic path

Bogsnes (2009) states that the separation of targets, forecasts and resource allocation is important. An effective and dynamic resource allocation is not possible if it is polluted in the process of making targets or prognoses.

8.2.3.1 Setting the dynamic course in Business

Business has developed three distinct mechanisms for resource allocation. The Market Council, which deals with elements of sales costs, is one of the mechanisms. Unlike the process of making the prognoses, the resource allocation undertaken in the market council seems to take the relationship between revenues and expenses directly into account. When the four representatives constituting the Market Council are trying to reach an agreement regarding different sales arrangements that are to be held during the year, we assume that considerations are made to both revenues and expenses. Even though it was stated that the Council negotiates how the resources are to be most beneficially allocated based on the expense limit received from Telenor it seems obvious to assume that the distribution of resources are affected heavily by where the potential for highest revenues are. This is based on Sveen’s statement which says that considerations are made to whether it is the correct thing to do for the division as a whole, regardless of which one it is. As previously mentioned Telenor clearly separates the prognoses, targets and resource allocation. Even if the allocation is influenced by the fixed target for expenses we find the incentive structure of the resource allocation has changed if we compare it to the budget. The prior allocation was based on allocation from last year which resulted in cost inefficiency. Now, however, the allocation of sales costs is based on a process where agreements must be reached for the activities as a whole. This has changed the incentive structure of the allocation from "spending the budget" to "agree upon activities".

The second mechanism is the marketing group, which refers to the separate unit which allocates resources used for promotional purposes. The marketing group allocate according to decisions made at the top. Due to the lack of empirical data we will not discuss the marketing group in detail. However, we wonder why the decision is made solely at the top. One of the considerations of the top group is made to where competitors are extorting the pressure. The strategic nature of the decisions seems to explain why. Still, it seems appropriate to wonder if the whole picture is taken into consideration by the top group. By this we think of the process by which Consumer have where revenues and expenses are seen in relationship. Representatives from operations could probably contribute to the discussion of where the marketing resources should be applied. Are there special circumstances in the market which present a potential opportunity for increasing the revenues with promotional resources? Can customer care handle a potential increase in a segment if the promotional activities are successful?

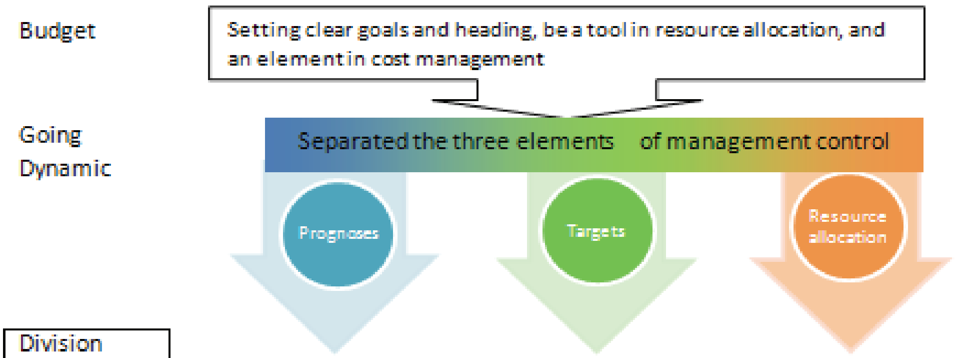
The third mechanism for resource allocation, which makes it possible to requests for additional labor, seems to be increasing the ability to be dynamic. Sveen consider the mechanism it to be far better than earlier, where number of employees were distributed through the budget. This mechanism has changed drastically from how it was done in the budget where there was a whole year until the next allocation. The disadvantage is due to the time consuming process of either hire or reallocate additional labor to meet fluctuations. This is why we consider the new mechanism to be a "continuous reactive allocation of labor" An even more effective and timely allocation could potentially improve the ability to "allocate resources where they are needed the most". It seems rational to believe that the shorter time it takes to receive resources in form of labor, the better. A time consuming process might force the requests for additional labor to be placed at an early point when uncertainty is high regarding the actual need. We believe that an even more effective process could change the incentive structure to transform from “apply for labor early when uncertainty is high” to “make the application as late as possible when uncertainty is lower”. This way it might enable to labor to be used where it is the most beneficial.

8.2.3.2 Setting the dynamic course in Consumer

The mechanism for resource allocation in Consumer is based on how they have divided their expenses into four elements of customer care, salaries excluding customer care, marketing resources for fixed expenses and marketing resources for variable expenses. Flaglien explained that if Consumer is forced to cut costs it may have a direct impact on the level of revenues. The market situation might be demanding moderation or increase of marketing spending. This show how Consumer differs from Business. Business expressed a desire for a better understanding of the relationship between revenues and expenses. In Consumer it seems that considerations are made regarding this. The classification of the cost elements was desirable because expenses regarding salaries and fixed marketing resources has a longer time horizon for changes. If the prognoses reveal gaps and actions are required for expenses, then Consumer create the room for action from the total cost picture. It makes sense to have such a classification due to the expenses various time horizons for change. Consumer commented that this mechanism could cause prioritization of decisions that had short time horizon for change, which not necessarily are desirable in a long-term perspective. It seems that splitting the expenses has had a positive effect on Consumer’s awareness of the cost picture. However it seems unlikely that there are any ways to avoid the conflicts between short-term and long-term unless the fixed target for expenses is removed or altered. The cost elements that are possible to change in a short time horizon are most likely to be changed when the need for action is revealed. The prognoses are continuous monitoring the gap between targets and where Telenor is today, and the empirical data indicates that allocation of resources often is made in a short time horizon in order to fill the gap. Removing or altering the fixed targets could possibly change the incentive structure from “prioritize allocation for short time horizon to fill the gap” to “allow allocation to a greater extent to consider the decision regardless of time horizon for change”. This will in other words say that the challenge of today’s resource allocation in Consumer is related to the long time horizon for change the fixed marketing resources have. Because of this it is often the variable costs that are victim to reprioritization, even if this might not be in the best interest in a long term perspective. Rethinking the fixed targets could potentially make the allocation of resources able to see past the time horizon for change and allow an allocation where potential value-creating opportunities are less likely to be abandoned. Even though both Business and Consumer are able to allocate the resources more freely there are clearly disadvantages related to the fixed targets. Potential value-creating opportunities are believed to be lost and short term prioritizations may overrun the long term needs. There are clearly differences between how Business and Consumer are allocating resources. Business has established three distinct mechanisms for allocating resources. Consumer on the other hand is applying what we may call a monitoring system of expenses which is used in order to make room for actions. Consumer seems to have a stronger focus on reaching an agreement that applies for both revenues and expenses.

8.2.4 Summary

In order to study whether the elements of management control have been changed during the implementation of Going Dynamic in the two market outlets we have applied what Miller (1994) refers to as technologies. This enabled us to look at the "devices" the market outlets have developed for acting upon activities. The different processes for prognoses have enabled both market outlets to open the door for actions in a way the budget was unable to. Both Business and Consumer developed mechanisms for resource allocation that are more dynamic than they were before. The differences show how different context require customized approaches. However, there seem to be indications that control and dynamics are on a collision course. Despite the improved dynamics there seem to be confusion how it can be further improved due to the fixed target setting. The market outlets' different processes and mechanisms are summarized in figure 9:



Division			
•Element "result" **Consumer**	• **Two Empirical models** -"Added visibility to events and processes which enables actions." -"improved ability to understand the market – become a business partner" -"closer collaboration and communication between finance & market outlets" • **Relational perspective on revenues and expenses** -"Consistency in prognoses, agreement upon activities" • **Activity based costs** -"improving cost margin"	• **Fixed** -"potential value-creating opportunities believed to be rejected" - "conflicts between short term and long term prioritizing"	• **Monitoring cost elements - fixed and variable** -"create the room for action from the total cost picture" -" relational view between expenses and revenues" -"increased awareness of the cost picture"
•Element "result" **Business**	• **Four step process.** -"Added visibility to events - and processes which enables actions" From excuses → Actions -"closer collaboration and communication between finance - market outlets" • **Transparent benchmark on cost elements** -" indicates trends, adds transparency, enables comparisons"	• **Fixed** -"conflicts between control and dynamics" -"expenses still has to be kept within budget/target" -"potential value-creating opportunities believed to be rejected"	• **Three distinct mechanisms:** **1) market council** "spend the budget" ↓ "agree upon activities" **2) marketing group** "allocate according to decisions made at the top" **3) labor** "annual allocation of labor" ↓ "Continuous reactive allocation of labor"

Figure 9 – How Telenor has separated the three elements of Management Control

Telenor have successfully separated the target, resource allocation and prognoses. The business plan set ambitious targets while the prognoses are there to reveal gaps. The prognoses contribute to understand where Telenor is going, and how big gaps there are between ambitions and targets. The prognoses reveal where to focus attention and efforts. Both Consumer and Business have developed a way to make prognoses for expenses and revenues. Business performs transparent benchmarks on the expenses and is performing a four step process for making the prognoses for revenues. The structure of the prognoses for revenues through models improves the ability to understand the market to a greater extent. It seems likely that the visibility of events and processes in the models help changing them. The benchmark of expenses has clearly changed the incentive structure from "spend the budget" to "continuously perform better". However the revenues and expenses are to a lesser extent seen in relationship in Business than it is in Consumer. This indicates that Business would have greater difficulties than Consumer in making the prognoses for expenses reliable.

The mechanisms for resource allocation are different in the two market outlets. Business has established three distinctive mechanisms that enable them to allocate resources more effectively than the old budget allowed them to do. The market council has changed the incentive structure of the sales costs allocation from "spending the budget" to "agree upon activities". There are challenges to how labor is allocated in a timely matter despite its obvious improvement from how the budget did it. A more efficient labor reallocation process could potentially contribute to a more efficient allocation. Consumer has divided their expenses into four elements in order to allocate resources. This has improved the understanding of the cost picture but the disadvantage is that the absolute cost number in the business plan force Consumer to often make allocations that are beneficial in a short time perspective.

If we try to illustrate new system for management control it would look like this:

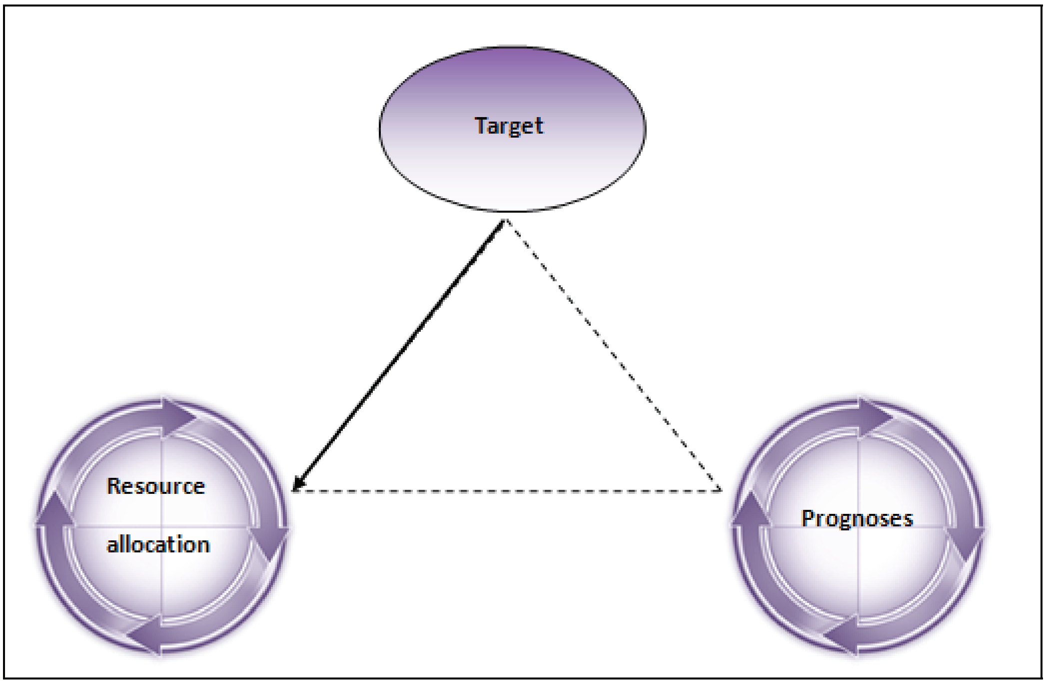


Figure 10 – New system for management control in Telenor

The prognoses are updated continuously and unveil gaps from the targets while the resource allocation has become more dynamic. However, even thought targets are decoupled from the other two elements its fixed nature seems to impair the resource allocation.

8.3 Research question 3:

Are there any challenges with the implementation of Going Dynamic?

In this section we will approach the above research question by applying the element Miller (1994) refers to as the combined effect of technologies and rationales that can constitute and reconstitute how organizations can be transformed.

8.3.1 A growing seed of uncertainty

As we have mentioned in the empirical chapter there are incidents of reluctance for decision making. Decisions that are meant to be taken at operational level are forced/pushed upwards in the organization due to lack of information regarding area of responsibility for the individuals. The budget constituted clear roles for decision making and responsibilities in the annual process. Decision making in Business, related to allocation of resources, seems to lack what Miller (1994:4) refers to as "[…] *a particular realm of economic calculation of which judgments can be made, actions taken or justified* […]". In a sense the challenge is related to the question Bogsnes (2009:140) raise: "*How on earth can costs be managed without a budget*?" The solution that StatoilHydro has applied to the challenge is a two step process. First they look at the mind-set required then at the tools and processes. By changing the mind-set Bogsnes specifically refer to asking a different question. "Do I have the budget for this?" is replaced with "Is it the right thing to do?" The tools and processes are based on criteria and decision authorities. This two step process is an example of how the costs can be managed without a budget. Telenor wanted to move resources internally where it is needed the most. Resource allocation in regards to cost management is compromised due to uncertainties in decision making. Individuals are uncertain whether they have the authority or "budget" to make operational decisions that influence the expenses. In StatoilHydro's case they seem to have established a mind-set, a technology representing a device for acting upon activities, which allows them to make decision based on whether it is the right thing to do. Secondly they have calculative technology, or a set of decision criteria's and capacity estimations, which supports the decision. The challenge for Telenor seems to be that there are no established technologies, together with the rationales that give them a wider significance, that allow the managers to make operational decisions in order to have a dynamic resource allocation. From our point of view Telenor's experience of decision making reluctance is closely related to the lack of calculative technologies together with rationales that reconstitute how the organization can be transformed. Somehow we wonder if this can be seen in relations to 1) the target setting process for expenses is struggling to detach itself from how it was done in the budget, and 2) the budget mind-set still exist among employees in Telenor.

8.3.2 New requirements, old tools

The target setting process for expenses is struggling to detach itself from how it was done in the budget? The analysis of research question 2 pointed at the obstacles created by the fixed targets for expenses which influenced the resource allocation. It was stated that potential value-creating opportunities are believed to be lost and short term prioritizations may overrun the long term needs within Consumer because of the fixed targets. We believe that the recent discussion of the decision making reluctance in Business can be related to the fixed target. From our point of view the current target setting process imposing the same limits for expenses which the budget did. For example, we learned that the costs are absolute and the prognoses have to be delivered according to the annual target. However, Flaglien mentioned that there are requirements to the cost margin. If the revenues are lower than expected then the expenses has to be reduced in order to keep the cost margin. Since Consumer sees the relationship between revenues and expenses to a greater extent than Business they seem less vulnerable to the fixed target. Business, who to a lesser extent see revenues and expenses in relations, might struggle to adapt and react faster to changes in the environment. The fixed target for expenses, or "cost roof", seems to impair the market outlets ability to adapt and react faster because it assumes that the costs can be anticipated a year in advance. However, the market outlets have developed mechanisms that to a certain degree counter the budgets lacking incentives for the employees to go beyond the budget and the goals by establishing benchmarks and monitoring the cost margin.

8.3.3 Old habits die hard

The budget mind-set still exists among employees in Telenor? We indicated that we believe the budget mind-set still exist among employees in Telenor. It was stated that […] *people do not dare to take decisions. They are unsure whether they have the "budget" for it and whether they have the authority to make such a decision* […]. This supports our statement in the way that it shows that either 1) the budget has not been deinstitutionalized, or 2) Going Dynamic has not been institutionalized – or a combination of the two.

Figure 11 illustrates the different phases of deinstitutionalization and institutionalization in the form of waves of enthusiasm parallel with time. The change in Telenor started when realizing that the budget didn't provide the needed information for governing. This resulted in the enthusiasm for using the budget became negative and a new method was introduced. The new model that now is in effect has its own lifespan as the budget had and new models gain approval in the internal politics initiated by the uncertainty by, or disadvantages of, earlier models. The prevailing model is the one that guides the behavior of individuals at the same time it justifies their behavior to themselves (Jönsson & Lundin, 1977).

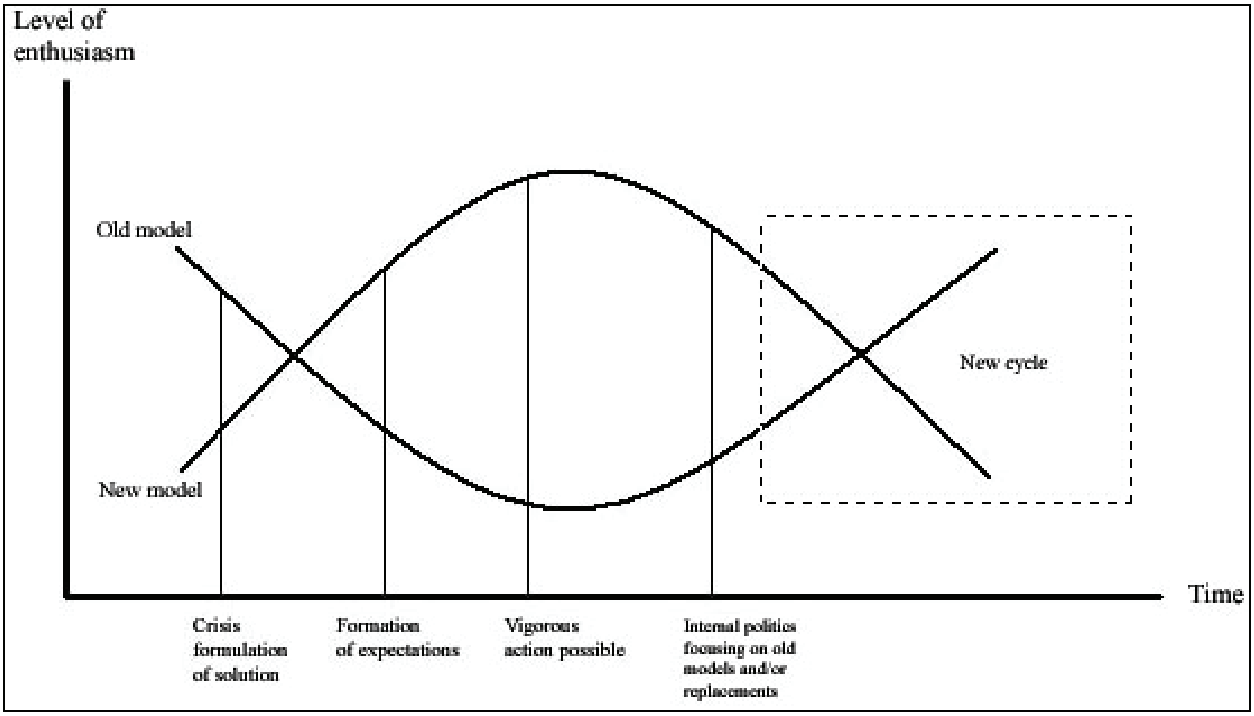


Figure 11 – Organizational change (based on figure by Jönsson & Lundin, 1977:161)

Throughout our inquiries it became evident that the budgeting culture had grown roots thoroughly throughout the organization over the years, something that was also confirmed by Thoen. The institutional change is a necessary process that is not completed over night as experienced in Telenor. How to best go forth in changing the organization is a question that is difficult to answer because every organization is different and require different approaches. In the theory it is implied that there are two types of institutional change that is important: the internal development of institutions (process of institutionalism or deinstitutionalization), and the change in values and/or structure that are assumed to characterize the institution. According to Peters et al. (2008) the approaches to institutionalism rational choice means an institutionalized institution can be changed through incentives. In the case of Telenor we could say that the incentive for change is the expected positive outcomes of Going Dynamic and in relation to figure 11 we can place this in the section “formation of expectations”. The way Going Dynamic has been implemented in Telenor has maybe presented the management with the possibility to not have a strong focus on deinstitutionalization. We learned that the divisions were not provided with a formal arena where they could share experiences, tools and solutions. This was a conscious choice by the top management. Each and every division was able to guide and control the new management control system. This is in our opinion a form of decentralization and the old budget culture could be dissipating slowly as the implementation continues and "automatically" institutionalize Going Dynamic culture. If this was intended or not is not something that is a focus in this thesis but could possibly be of interest in future studies. Forcing the divisions to abandon the budget and create replacements is a way of forcing their own rationales. Miller (1994) mentions rationales of costliness and efficiency, of decision making, of responsibility, of competitiveness. These will again come to constitute truths of which organizations are to be remade and processes reconfigured. The truths describing the understanding of the rationales are remaking Telenor and reconfiguring the processes.

Peters et al. (2008) stated that institutions must *become* institutions and that institutions are a variable and not a constant. Since an institutionalized institution can be changed through incentives that impact the individuals. The divisions were to develop new tools and mechanisms in order to replace the budget. Even though some training and seminars was provided the divisions were more or less left for their own when it came to how to do it. The decentralization Hope and Fraser (2003) speak of is rather different. The units in their study became more accountable for their own success. An overall strategy was outlined by the group executives and local units were free to work out their own strategies and respond to opportunities and threats in the way they think is best. Here the structure of and content of Going Dynamic seemingly was left for the divisions to figure out themselves. The apparent advantage of this decision is that by being a central element in the development of the model the employees could develop a stronger ownership to it. The main disadvantage from an operational perspective was the creation of uncertainty due to the lack of guidelines. The first of six principles of radical decentralization provided by Hope and Fraser (2003) state that leaders should provide a governance framework based on clear principles and boundaries. In our opinion it is in Telenor's case hard to evaluate. Since there is a lack of governance framework by each division is left to develop it themselves we question whether the managers in divisions are able to implement Going Dynamic in the fashion that the top management imagined it would be.

The framework provided by Peters et al. (2008) provides an opportunity to measure the degree of institutionalization.

- The first of the four elements is **autonomy**. It is concerned with the capacity of institutions to make and implement their own decisions. The degree of how independent the institution is compared to other organizations or institutions is helpful in order to establish an opinion on whether they are institutionalized. The discussion whether Business and Consumer are able to make and implement their own decisions depends on which decision we consider. As of today the market outlets are responsible for the process of replacing the budget. In light of this we might say they have a high degree of making own decision by creating the structure of the new management model. On the contrary the market outlets are victim of budget-like limits due to the fact that they annually receive expectations for revenues and an absolute roof for expenses. Within the expense limit they are more or less able to make the decisions they like in order to meet the overall demands. Even though the demands regarding revenues and expenses are not aligned with the Beyond Budgeting literature we say that both the market outlets are able to make and implement their own decisions within the limits. However, as we learned about decision reluctance in Business resulted by uncertainty among employees to decision authority, we see that abandoning the budget and its decision authority function has had a sustainable effect on the ability to actually make different operational decisions. By referring to that the employees are uncertain "whether they have the budget to make this or that decision", it seems that the budget mind-set has not completely been abandoned.

- The second tool to measure institutionalization is **adaptability**. It describes to which extent an institution is able to adapt to changes in, and even mould, the environment. The ability to import needed resources despite changes in the environment is highlighted. The market outlets have developed their own mechanisms for adapt to changes in the environment. Business does this mainly through the establishment of the market council, marketing group and consultant distribution. Consumer has an approach which seemingly link the relationship between revenues and expenses to a stronger extent than Business does. Consumer seems to continuously monitor the main cost elements in order to make adjustments. Within the limits of the business plan's annual "cost roof" both of the market outlets are able to adapt to changes according to the mechanisms they have developed.

- The third measure of institutionalization relates to **complexity**. It refers to thinking of structural differentiation. The capacity of the institution to construct internal structures to reach its goals and coping with the environment. The capacity of the market outlets to construct internal structures is unique. At this point they are responsible for replacing the budget and creating a new internal structure. The "cost roof" does however seem to inflict limits on how much of change that can take place.

- **Coherence** relates to the capability of the institution to manage the workload, as well as developing procedures to process tasks in a timely and acceptable manner. Whether the market outlets are able to manage the workload is difficult to determine at such an early stage of the implementation. Generally speaking it seems that both outlets are able to manage the workload. Business stated that they often were unable to foresee increase or decrease in customer care. According to the empirical data are both market outlets able to manage the workload. The ability to process tasks in a timely and acceptable manner seems to be compromised in Business to some extent in regards to the allocation of resources.

By using the framework of Peter et al. (2008) to measure the degree of institutionalized, it seems that Going Dynamic has become institutionalized in Telenor. The capacity of the market outlets to make and implement their own decisions seems somehow limited by the expectations of the business plan. Both market outlets have developed mechanisms that enable them to respond to changes in the environment. The ability of the market outlets to make structural changes is high due to the unique situation they are in. Generally speaking we do think that both market outlets show that they are able to manage the workload. Both market outlets have developed mechanisms that are in line with the Going Dynamic intentions.

According to the analysis Telenor started the deinstitutionalization of the budget by forcing the divisions to replace the budget. We argued that the truths describing the understanding of the rationales are remaking Telenor and reconfiguring the processes. However, it seems that there are some aspects of the budget that still is not fully deinstitutionalized. The mind-set among employees seems to still reflect some truths from the budget. According to our analysis the institutionalization of Going Dynamic is strong. To summarize this in figure 11 we believe that, since there are still traces of the budget culture, Telenor would be in between "formation of expectations" and "vigorous action possible".

8.3.1 Summary

This part of the thesis has tried to answer whether there are any challenges with the implementation of Going Dynamic. We argued that Telenor experience uncertainty which surface as decision making reluctance. This was put in connection with that the target setting process for expenses is struggling to detach itself from how it was done in the budget. Old habits die hard and there are indicators that some of the budget mind-set still exists among employees in Telenor. Even though we find Going Dynamic is institutionalized it seems like some of the budgeting mind-set still is not deinstitutionalized. We feel it is neither our place, nor within the scope of this thesis, to suggest direct solutions to these challenges. However, we have indirectly pointed towards possible solutions presented in the literature.

9.0 Conclusion

The purpose of this thesis has been to describe the changes in Telenor during the implementation of Going Dynamic – a management control model based on the Beyond Budgeting philosophy. This is a comparative case study between two divisions that are introducing elements of management control separately. We have analyzed the new model and the old model using theories of management control, budgeting, Beyond Budgeting, institutionalization and social and institutional practice.

We have applied three research questions in order to discuss our problem statement:

The implementation of Going Dynamic in Telenor from a management control perspective:

- *Why and how has Telenor gone Beyond Budgeting?*

1) Why did Telenor decide to go Beyond Budgeting?
2) Has the elements of management control been changed during the implementation of Going Dynamic?
3) Are there any challenges with the implementation of Going Dynamic?

We found during our research that Telenor chose to abandon the budget and implement for Going Dynamic for many reasons. Telenor stated that the reason for their implementation was due to the budget was found inadequate for Telenor’s needs. The budget’s problems regarding producing real and up-to-date information, rapid changes in environments, and cost management are some reasons mentioned. So Telenor’s statement about the budget being inadequate is a brief, but good statement that in many ways sums up all the disadvantages we have pointed out in this research. We feel that the problems with the budget have led to new truths of how to operate and by so doing legitimized and made the change to Going Dynamic a natural reaction. Seeing that this research is limited to only certain parts of the Telenor organization we do not exclude the possibility that there could be additional reasons for Telenor's change to Going Dynamic.

Our study showed that Telenor, in accordance with the Beyond Budgeting literature, has separated the three elements of management control. The targets have stretch and ambitions while the role of prognoses is to reveal gaps towards the ambitions enabling measures to be taken at an earlier point than what was possible in the budget. Despite some empirical data suggests that there have not been much changes to the work assignments among employees in the market outlets, we find it evident that there has in fact been a change in the way the three elements of management control is handled. Since the decisions to go Beyond Budgeting in 2006 the two market outlets has come up with different ways to handle the prognoses for expenses and revenues together with the mechanisms for resource allocation. The prognoses related to revenues have both in Consumer and Business become more visible and opened the door for action. Business performs transparent benchmarks on the expenses in the prognoses and as a result, by changing the way performance is evaluated, Telenor changed their incentive structure. Consumer uses empirical models for the expenses in the prognoses which consequently make the process visible. However, Consumer seems to lack Business' relational view between expenses and revenues which to a greater extent makes it challenging for Business to develop the prognoses for expenses. Both Consumer and Business has each in their own way developed mechanisms for resources allocation. These mechanisms allow them to allocate resources more dynamically where they are needed the most to a greater extent than the budget did. However, the fixed target for expenses impairs the market outlets ability to allocate resources to a certain extent. The result is that Consumer experience conflicts between long term and short term prioritizations and potential value-creating opportunities are believed to be lost. Business experiences conflicts between control and dynamic at the same time as potential value-creating opportunities are believed to be lost. Business believes that a better understanding of the relationship between expenses and revenues could improve the resource allocation. Allocation of labor has greatly improved since the introduction of Going Dynamic but there is still room for improvements.

Challenges are something that is to be expected when introducing new, and to a certain degree, unknown processes into an organization. Telenor, at the time of this research, was in the middle of implementing Going Dynamic, and hence it became evident that Telenor had some challenges as expected. We found that challenges regarding decision-making reluctance to be a result of uncertainties caused by using the old tools from the budget. Old habits die hard and this is an accomplice to the seed of uncertainty which grows in Telenor.

9.1 Critical view on the thesis

There are a number of elements there's necessary to mention. A majority of the elements are related to methodology. First of all there is the limited focus on two of the market outlets. In an optimal situation we would interview more people in each of the market outlets and included the Wholesale segment. The interviews are limited to respondents located within finance department but they are, however, working integrated towards the market outlets. The collection of empirical data has taken place at one point in time and is therefore, the way we look at it, a disadvantage since much of the analysis refer to "transformation". The market outlets are not easy to compare due to the fact that they serve different customers. The interpretation in the analytical part is also imposing limitation to the conclusion and findings. There could be a variety of conclusions based on the empirical data if someone else were to analyze it. Some of the information in the frame of reference is reports gathered from accounting and auditing firms. There are obvious downsides to using such reports in research. The same criticism should be directed towards some of the Beyond Budgeting literature. For example, some might question whether the Beyond Budgeting Round Table and their claims are unbiased due to the potential advantages new management models represent for themselves.

The final element we find necessary to mention is the language barrier. The interviews were conducted in Norwegian then translated to English after being transcribed. Even thought the interviews and citations were sent back to the respondents for clarification, in both Norwegian and English, there is a possibility that the respondents meanings were misunderstood. Unfortunately, several of the references will be difficult to follow up on for non-Norwegian speaking readers.

9.2 Suggestions for future research

It would be helpful to study the next steps Telenor take in the implementation of Going Dynamic. The "experimental" approach they have chosen to the implementation represents a unique and interesting basis for future research.

From a management control perspective it would be interesting to widen the area of research and include the third division. We were not able to include the empirical data collected from Network, Project and other. This is unfortunate first of all since they perform many activities that the two market outlets are depending on and they should therefore be included in such a study.

Another suggestion for future research could relate to the impact of what the media refer to as the economical crisis. It would be interesting to see how a recession impacts the implementation of management models inspired by Beyond Budgeting. The Economist (2009) reports on the previously mentioned Handelsbanken, the Swedish retail bank, who experienced a 39 percent quarter-on-quarter jump in operating profits in the fourth quarter of 2008. The bank's manager states that their success is because of their decentralized management model.

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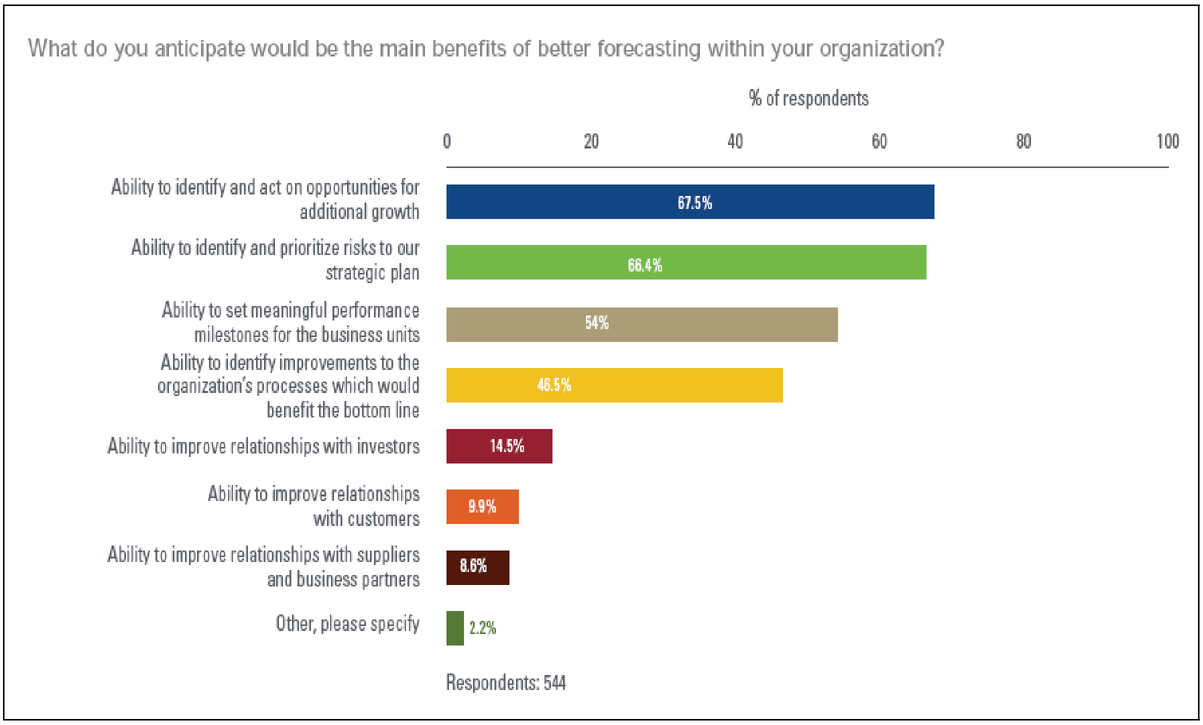
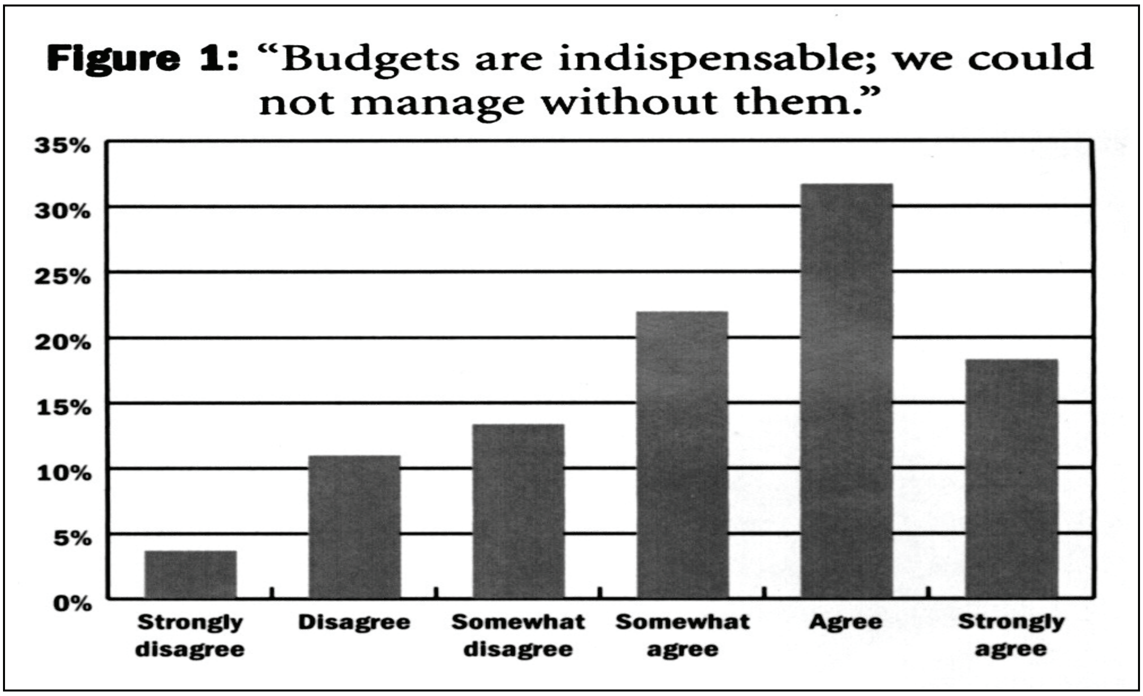
Appendix 1 : Anticipated benefits from better forecasting



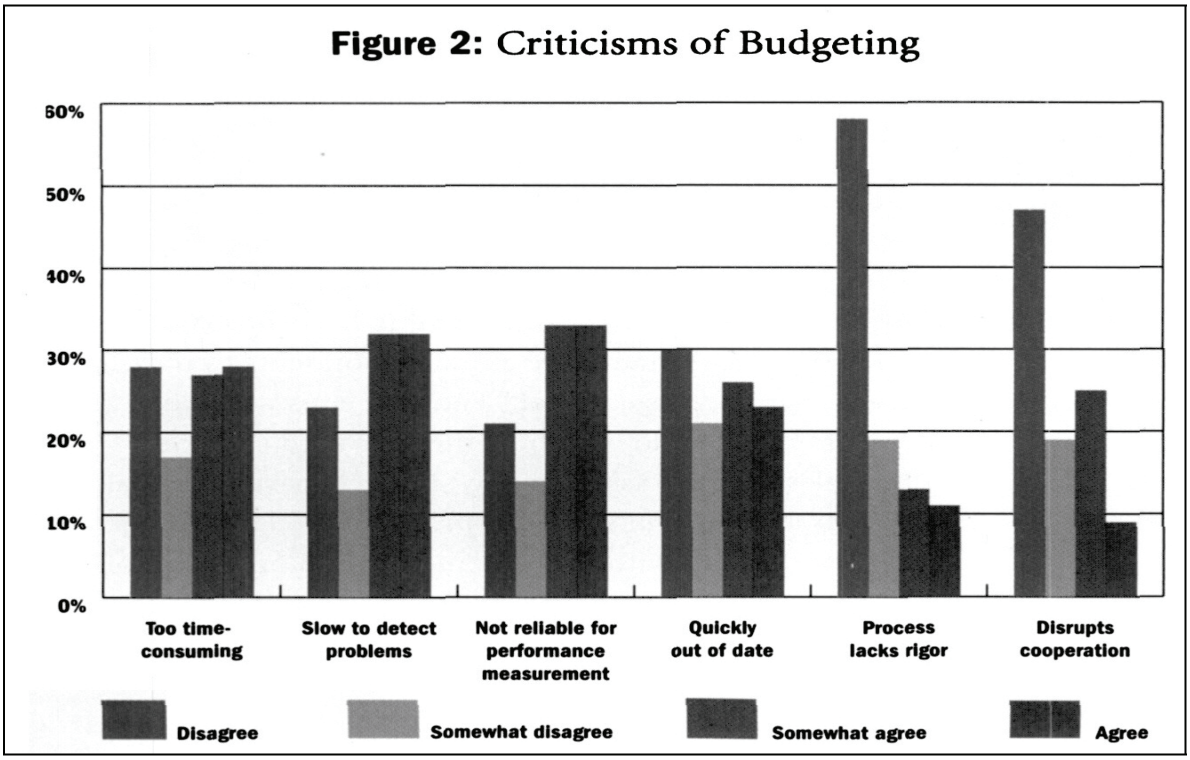
Anticipated benefits from better forecasting (KPMG, 2007:7)

Appendix 2 : Are budgets dispensable?



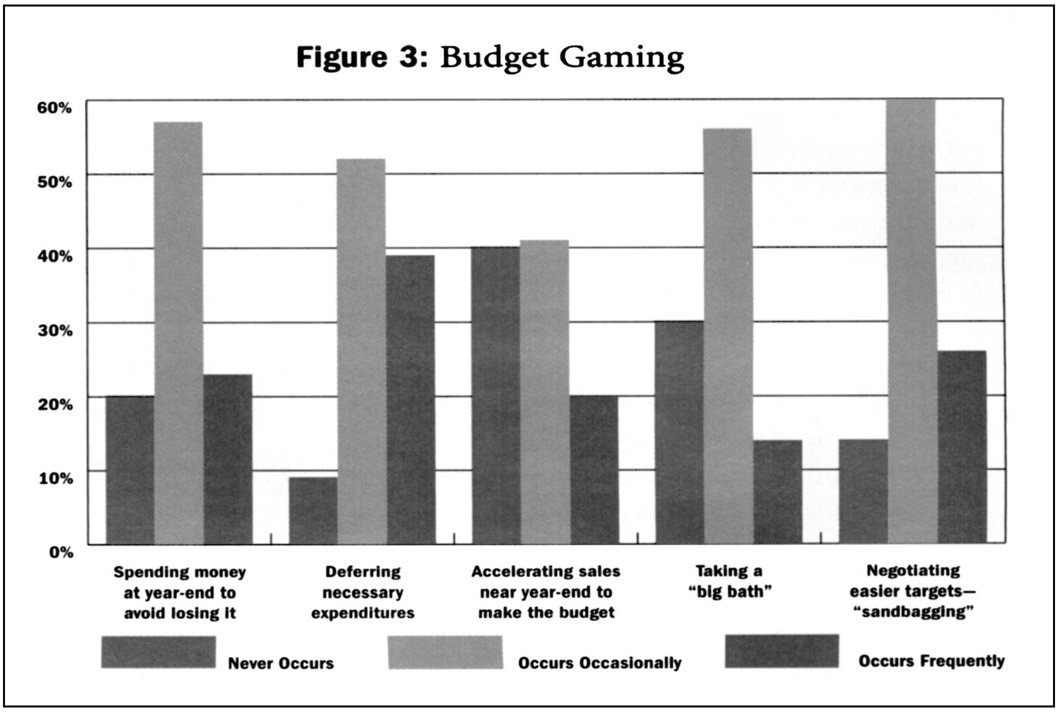
Are budgets dispensable? (Libby and Lindsay, 2007:48)

Appendix 3 : Criticism of Budgeting



Criticism of Budgeting (Libby and Lindsay, 2007:49)

Appendix 4 : Budget Gaming



Budget Gaming (Libby and Lindsay, 2007:50)

Appendix 5: Methodological implications of different epistemologies within social science

Social science epistemologies / Elements of methodologies	Positivism	Relativism	Social Constructionism
Aims	Discovery	Exposure	Invention
Starting points	Hypotheses	Propositions	Meanings
Designs	Experiment	Triangulation	Reflexivity
Techniques	Measurements	Survey	Conversation
Analysis/interpretation	Verification/falsification	Probability	Sense-making
Outcomes	Causality	Correlation	Understanding

Methodological implications of different epistemologies within social science (Easterby-Smith et al., 2008:63)

Appendix 6 : Interview Guides

This appendix contains the interview guides which were sent to the respondents ahead of the interviews. Their semi-structured characteristics mean that there were follow up questions during the interviews which naturally are not listed here.

Interview guide 1

Who: Kjersti Thoen, Project leader Going Dynamic

Where: Oslo

When: 09.03.2009

A) Context

- ✓ What is the status of Going Dynamic in Telenor Norway's today?
    - ▪ Historically
    - ▪ The journey
- ✓ How was the budgeting process performed prior to the introduction of Going Dynamic?
    - ▪ Were there any advantages to the process?
    - ▪ Were there any disadvantages to the process?
- ✓ Who took the initiative for Going Dynamic?
    - ▪ In-house, extern expertise, cooperation?
- ✓ On which arena is the discussion of Going Dynamic taking place?
    - ▪ Who are the participants?
- ✓ Have there been strong arguments against the introduction of Going Dyamic?

- ✓ To which extent is Going Dynamic planned to be implemented in Telenor Norway?
- ✓ Are there any functions or departments where Going Dynamic is not of current interest to be introduced?
- ✓ Are there any challenges for Telenor today concerning the implementation of Going Dynamic?

B) Motivation for change

- ✓ What are the reasons for Telenor initiation the Going Dynamic project?
- ✓ Were there internal needs for change that were important?
    - ▪ Changed terms (like expansion, legal amendments, market situations, etc)?
    - ▪ Information systems or information demand?
- ✓ Were there any negative consequences with the budgeting process that were vital at the point in time where the decision to introduce Going Dynamic were taken?
    - If so: which ones?
- ✓ Are there any advantages provided by the budget-based management model which Telenor wish to keep?
- ✓ Has extern professionals had an influence on the motivation for the introduction of Going Dynamic?

C) Changes in the context of resource allocation

- ✓ What is your understanding of the term “coordination of resource allocation”?
- ✓ How does the resource allocation design look like in Telenor today?
    - ▪ Principles, models, criterias
- ✓ How was the design of resource allocation prior to Going Dynamic?

- ✓ Which individuals and departments are central within the resource allocation?
  - Who has participated in making the design (principles and models) of resource allocation in Going Dynamic?
- ✓ What do you consider to be the strengths and weaknesses with the budget-model's mechanisms for resource allocation?
- ✓ What do you consider to be the strengths and weaknesses with Going Dynamic's mechanisms for resource allocation?
- ✓ Are the challenges with the coordination of resource allocation within Going Dynamic?
- ✓ How do you picture the ideal coordination of resource allocation in the future?
  - Are there any challenges related to a situation of ideal coordination of resource allocation?

Interview guide 2

Who: Kjersti Thoen, Project leader Going Dynamic

Where: Telephone (follow up, interview 1)

When: 23.03.2009

- ✓ How is Telenor Norway organized?
- ✓ You mentioned that Telenor had a strong budget culture – can you mention some of its characteristics?
- ✓ You mentioned that the design of GD is finished – what do you mean by this?
- ✓ You said that the budget did not always work as intended – could you give some examples?
- ✓ You explained that there are three types of resource allocation - What was this allocation based on?

- Which mechanisms exist for the allocation of labor?

✓ The market resources:

- Who makes the prognosis?
- Where are they located organizationally speaking?

Interview guide 3

Who: Håvard Naustdal, Business

Where: Telephone

When: 14.04.2009

Budgeting process

a) Your work prior to Going Dynamic
    a. How were you involved with the budgeting process?
    b. Were there any challenges regarding the mechanisms for resource allocation in budgeting?
    c. Were there any challenges regarding target setting in the budget?

b) Has Going Dynamic changed your work?

Prognoses

a) How are the prognoses made?
    a. Step by step

b) Where are the data used in the prognoses collected?

c) Who and how many participate in the process of making the prognoses?

d) Does the prognoses influence target setting in any way?

e) Are there incentives to manipulate the prognoses?

f) The process of making the prognoses:

    a. What are the advantages?

    b. What are the disadvantages?

Interview guide 4

Who: Trude Beate Sveen, Business

Where: Telephone

When: 14.04.2009

Resource allocation in the budgeting process

a) What were the mechanisms for resource allocation in the budgeting process?

    a. Were there any advantages to how it was done earlier?

    b. Were there any disadvantages?

Going Dynamic

b) What are the mechanisms for resource allocation in Going Dynamic?

    a. Step by step

c) Are there a connection between targets, prognoses, and resource allocation?

If yes:

    a) What are the relationship between prognoses and resource allocation?

    b) What is the relationship between targets and resource allocation?

d) The mechanisms for resource allocation in Going Dynamic:

    a. Are there any advantages?

    b. Are there any disadvantages?

e) Are the mechanisms that exist for resource allocation today good enough in your opinion?

    a. What can be changed / improved?

f) Are there any (theoretical) ways or incentives to manipulate the mechanisms for resource allocation?

    a. How can these incentives be reduced?

Interview guide 5

Who: Jarle Flaglien, Consumer

Where: Telephone

When: 21.04.2009

Budgeting process

c) Your work prior to Going Dynamic

    a. How were you involved with the budgeting process?

    b. Were there any challenges regarding the mechanisms for resource allocation in the budgeting process?

    c. Were there any challenges regarding target setting in budgeting?

d) Has Going Dynamic changed your work?

Prognoses

g) How are the prognoses made?

    a. Step by step

h) Where are the data used in the prognoses collected?

i) Who and how many participate in the process of making the prognoses?

j) Does the prognoses influence target setting in any way?

k) Are there incentives to manipulate the prognoses?

l) The process of making the prognoses:

    a. Are there any advantages?

    b. Are there any disadvantages?

Appendix 7 : Summarizing the processes and mechanisms for management control

	Prognoses	Targets	Resource allocation
Consumer	•Two empirical models •Relational perspective on revenues and expenses •Activity based costs	Fixed	•Monitoring cost elements - Variable - Fixed
Business	•Four step process •Transparent benchmark on cost elements	Fixed	•Three distinct mechanisms